



The Influence of Entrepreneurial Management on MSMEs Performance through Competitive Advantage in Sidoarjo Regency

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ABSTRACT

The purpose of this study is to contribute to the field of strategic management by examining the influence of entrepreneurial management on the performance of MSMEs, mediated by competitive advantage. Entrepreneurial management involves creative efforts and a willingness to take calculated risks to support the success of programs that improve business competitiveness. Although this topic is highly relevant, research integrating entrepreneurial management and competitive advantage as mediating variables in the context of MSME performance remains limited. This gap may hinder understanding of how entrepreneurial strategies affect business outcomes and the mechanisms involved. In this study, 89 MSME actors in Sidoarjo were selected as respondents using the Cluster Sampling technique to ensure broad regional representation. Cluster sampling is a method of taking samples by dividing the population into several groups or clusters. Data were collected through structured questionnaires and analyzed using SmartPLS 4 statistical software for robust results. Findings reveal that entrepreneurial management has a significant positive impact on MSME performance and strengthens competitive advantage. However, competitive advantage does not directly influence performance, making entrepreneurial management the primary driver of MSMEs success in competitive environments. These results highlight the importance of strengthening managerial capabilities through innovation, strategic planning, and responsive decision-making. The study provides a foundation for government and institutions to design targeted training and mentoring programs. It also enriches the strategic management literature on MSMEs and offers empirical insights relevant to policy formulation and the development of empowerment initiatives, particularly in Sidoarjo Regency.

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1. INTRODUCTION

The development of MSMEs in Indonesia has contribution significant to economy national (Fatchuroji et al., 2020). Based on data from the Ministry of Cooperatives and SMEs, Indonesia has around 65 million Micro, Small and Medium Enterprises (MSMEs). As one of the main pillars development, MSMEs provides significant role in support economy national. The MSME sector contributes about 60,5% of Product Indonesia's Gross Domestic Product (GDP), with mark reaching Rp9,580 trillion. In addition, MSMEs also contribute big in absorption power work, namely about 99,1% of the total number power work in Indonesia (Wahyudi et al., 2024).

Contribution This big UMKM No only seen at the national level, but also implemented until to level area. One of the for example is Regency Sidoarjo, which goes through various innovative programs support development of local MSMEs. Outreach on the registration of NIB (Nomor Induk Berusaha) and IUMK (Izin Usaha Mikro dan Kecil) needs to be intensified to facilitate MSMEs actors in legalizing their businesses. This formal legality is expected to provide broader access to support from relevant institutions, particularly in terms of financing and product marketing in Sidoarjo Regency (Latif et al., 2021). However, MSMEs are also faced with various challenges, especially related with entrepreneurial management, competitive advantage and performance business they. One of them aspects that are considered influential to entrepreneurial management is level its performance (Aneke & Garba, 2024). MSME actors in Sidoarjo Regency demonstrate a low level of participation in empowerment programs, due to limited access to information, involvement, and motivation. This condition has the potential to hinder the effectiveness of the implemented empowerment programs (Suryaningrum et al., 2024).

Performance is closely related to various actions carried out through a series of processes known as the value chain within an organization. This value chain consists of a range of activities, both primary and supporting, that are strategically designed to create added value or brand enhancement for the products or services produced (Fatchuroji et al., 2020). Through various activities in every stage chain values, organization make an effort manage source power in a way efficient, improve quality, and meet need customer (Sembiring et al., 2022). The primary function of entrepreneurial management is planning activities, where the entire process is aimed at achieving specific organizational objectives, such as enhancing competitive strength, meeting business targets, and ensuring long-term operational sustainability (Intitsal & Khojir, 2024).

According to (Darmawan et al., 2023) interest entrepreneurship is form interest focused on the world of entrepreneurship, which emerged because there is a sense of interest and accompanied by desire for learn, understand, and explore more far about entrepreneurship. However, some study show that orientation entrepreneurship and strategy not always own impact direct to performance. As expressed by (Komarudin, 2021), the influence orientation entrepreneurship to performance often mediated by competitive advantage, which shows that the process of achieving competitive advantage is step crucial intermediary between decision strategic and results real business (Suharyati et al. 2021). Findings this emphasize importance understanding about connection dynamic and often not direct between variables this, which encourages company for focus not only on competence entrepreneurship, but also on the strategic processes that support it. creation sustainable competitive advantage as support entrepreneurial management (Fatchuroji et al., 2020).

Entrepreneurial management can interpreted as effort optimize potential economy in a way creative and innovative, with courage in face risk, use to obtain beneficial benefits for success of the program in increase competitive advantage (Apriana & Faggidae, 2020). One of the main problems in entrepreneurial management that negatively affects the performance of MSMEs in Sidoarjo Regency is the lack of training and managerial skill development. This limitation causes many business actors to struggle in maintaining competitiveness, both in the domestic market and at the global level (Ramadhan & Sukarno, 2021). In contrast to the situation in Sidoarjo Regency, together with Surabaya and Gresik, it is one of the main economic centers in East Java. More than 60% of the province's economic growth is driven by the industrial sector, with more than half of this activity reaching this

third region. Therefore that, Regency Sidoarjo confirm his role as one of the center industry in East Java. Various industry with various scale develop rapidly in this region, supported by development infrastructure that continues optimized. Show potential this through various activity people's economy engaged in sectors business small and medium . With thus expected can support competitive advantage in the MSMEs sector in the Regency sidoarjo (Isnaini et al., 2023).

Competitive advantage age is one of the factor the main one that provides influence to performance of MSMEs in the Regency Sidoarjo (Noordiana, 2017). Ability a company For give mark additions to the product compared to its competitors and values the can beneficial for customer known as competitive advantage (Winata & Devie, 2013) in harmony with view research conducted by (Maharani et al., 2020). (Almarri & Gardiner, 2014) It is explained that achieving sustainable competitive advantage can be accomplished by effectively allocating resources to create value for customers. This customer-oriented value creation, in turn, plays a significant role in enhancing overall business performance.

To establish and grow the brand, careful planning and the implementation of effective strategies are essential. This includes efficient and optimal management practices. It is also important to note that research on entrepreneurial management and its influence on MSME performance remains relatively limited (Gürbüz & Aykol, 2009), study this make an effort fill in gap in addition, research that is special to study effect mediation competitive advantage in connection between entrepreneurial management and the performance of MSMEs is still limited which is finally become focus this study. There is different views about influence orientation entrepreneurship to competitive advantage age. Therefore that , is needed better understanding clear about contribution orientation entrepreneurship to performance business (Wadud, 2018). Lack of study about connection this and the role mediation competitive advantage can limit understanding we about to what extent entrepreneurial management influence performance of MSMEs in Sidoarjo Regency , as well as underlying mechanisms influence said. In a way special, research this present proof about role mediation competitive advantage in the relation with connection between entrepreneurial management and performance of MSMEs.

The purpose of study this is for give contribution in field knowledge strategic management with to study influence entrepreneurial management to performance of MSMEs, which is mediated by competitive advantage. This study is expected to provide new insights by employing a different research method and location compared to previous studies. It is also anticipated to contribute to supporting MSME actors in Sidoarjo Regency in addressing issues arising from a lack of knowledge in entrepreneurial management. Through the findings of this research, it is anticipated that MSMEs will be able to enhance their performance by effectively applying competitive advantage strategies. This study based on the results research conducted on MSMEs in the Regency Sidoarjo. Based on the data obtained as well as description background behind above, researcher carry out study entitled " Influence Entrepreneurial Management to Performance of MSMEs through Competitive Advantage in MSMEs in the Regency ".

2. RESEARCH METHOD

This study employs a quantitative descriptive research approach, which is a type of research aimed at describing a phenomenon or condition based on numerical or quantitative data. This approach systematically collects, processes, and analyzes data to provide accurate information, combining statistical presentation with clear interpretation for a comprehensive understanding of the subject. (Sari et al., 2022).In this research, secondary quantitative data is used to analyze the number and distribution of MSMEs in Sidoarjo Regency. The data is then tested for validity, reliability, and mediation using the SmartPLS 4 application. The data obtained from the 2024 official report of the Department of Cooperatives and MSMEs shows that there are a total of 759 MSME units in Sidoarjo Regency that meet the specific criteria of having been established for a minimum of three years and employing at least one worker. This figure reflects the category of micro, small, and medium-scale

MSMEs in the trade, services, and industrial sectors that demonstrate business continuity and a certain operational scale, making them relevant for further analysis based on geographical location without disregarding the established criteria. Information this functioning as a basis for determine sample research and identify pattern distribution based on sector business. Analysis done with statistical data processing descriptive For describe characteristics population in a way accurate and systematic (Ferdinand, 2014).

In research this writer use technique category sampling probability sampling with type approach *cluster sampling*, namely method taking sample with method share population become a number of group or cluster (Rafiee et al., 2024). Division This performed on a larger *cluster* small based on characteristic features certain (Firdausi, 2024). Cluster sampling is utilized in this study as it offers time and cost efficiency, which is particularly advantageous when dealing with a research population of substantial size (Stocchero et al., 2021). This study uses a 10% margin of error, considering time and resource efficiency. According to Sugiyono (2019), this level of error is still acceptable for large populations, especially in descriptive or exploratory research. This method allow researcher collect data in efficient at a time still representative. To determine the number of samples required for this study, the Slovin's formula was applied as follows:

$$n = \frac{N}{1 + N \cdot e^2} \quad (1)$$

Where:

n = required sample size

N = total population

e = margin of error (set at 10% or 0.1)

By substituting the values into the formula:

$$n = \frac{759}{1 + 759 \cdot (0,1)^2} \quad n = \frac{759}{8,59} \quad n = 88,3 \quad (2)$$

Based on the calculation using Slovin's formula, the appropriate sample size for this study is approximately 89 respondents. The sample size is considered sufficiently representative of the population because it reflects the selected key characteristics and meets the minimum standard for the acceptable margin of error. Furthermore, the procedure taking sample study shared into two stages, the first that is grouping all MSMEs in the district sidoarjo become three part in accordance with location geographically. Third group the that is Sidoarjo East, Sidoarjo central and West Sidoarjo.

Table 1 Table of MSME groups based on geographical location

No	Group	Sub Distric	Number of MSMEs
1	East Sidoarjo	Porong Jabon Krembung Tulangan Prambon Sukodono Gedangan	241
2	Central Sidoarjo	Tarik Sidoarjo Sedati Candi Buduran	369
3	West Sidoarjo	Tanggulangin Waru Balongbendo Taman Krian	149

Wonoayu Total	759
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Source: data processed by the author.

From Table 1, it can be seen that the distribution of MSMEs in Sidoarjo Regency is categorized into three regional groups: East, Central, and West Sidoarjo. The total number of MSMEs recorded across these regions is 759 units. East Sidoarjo, which includes seven sub-districts such as Porong, Jabon, and Tulangan, accounts for 241 MSMEs. Central Sidoarjo, consisting of Sidoarjo, Sedati, Candi, and Buduran sub-districts, has the highest number with 369 MSMEs. Meanwhile, West Sidoarjo, covering areas like Wonoayu, Waru, and Krian, contributes 149 MSMEs to the total. Stage second that is distribution sample that can shared in a way proportional based on the number of MSMEs from each sub-district. Therefore that, researcher use the formula used (Dzarin, 2018) as following :

$$Sample\ Proportional = \frac{Sub\ Populasi}{Populasi} \times Sample \tag{3}$$

Following the application of the previously stated formula, the distribution results are presented in the table. This distribution illustrates the proportion of MSMEs across the various sub-districts within Sidoarjo Regency. These proportional figures serve as the basis for determining the number of samples to be drawn from each respective sub-district. This method ensures that the sampling process is conducted in a representative and statistically reliable manner across all regions. According to Lohr (2021), clusters with a small number of elements can still be used in cluster sampling as long as their selection is done randomly based on appropriate criteria and in accordance with proper sampling design principles.

Table 2 Research sample distribution table

No	Sub Distric	Number Of MSMEs	Amount Respondents
1	Porong	42	5
2	Jabon	24	3
3	Kremlung	18	2
4	Tulangan	44	5
5	Prambon	21	2
6	Sukodono	37	4
7	Gedangan	45	5
8	Tarik	10	1
9	Sidoarjo	144	17
10	Sedati	32	4
11	Candi	93	11
12	Buduran	44	5
13	Tanggulagin	58	7
14	Waru	50	6
15	Taman	35	4
16	Krian	32	4
17	Balombangdo	10	1
18	Wonoayu	22	3
	Total		89

Source: data processed by the author

The study began with a literature review, which was subsequently followed by field surveys and open-ended interviews with MSME actors in Sidoarjo Regency. These steps were undertaken with the objective of analyzing the impact of entrepreneurial management implementation on MSME performance, with a particular focus on the role of competitive advantage as an influencing factor. Data analysis was carried out in a way descriptive, producing identification factors

entrepreneurial management that is needed be noticed For increase performance of MSMEs through strengthening competitive advantage. With thus, the function entrepreneurial management is expected own influence significant to performance of MSMEs mediated by competitive advantage

Questionnaire namely the table of contents statement that is disseminated in a way direct. The questionnaire is compiled based on the indicators of each variable, 1 indicator is represented by 1 statement aimed at MSME actors who meet the author's criteria. Use questionnaire structured given online to respondents. The questionnaire was distributed exclusively through an online system, in which the researcher personally visited each MSME actor and subsequently shared the questionnaire via the WhatsApp application. This approach was intended to facilitate data collection while ensuring the quality and credibility of the responses obtained. However, the type statements used is statement closed. For evaluate variable dependent MSMEs performance and competitive advantage as mediation use same method that is use scale semantics differential.

A semantic differential scale was employed to evaluate the dependent variable performance as well as the moderating variable competitive advantage. For this study, a 5-point scale was used, with scores ranging from 1 (indicating the lowest level of agreement or performance) to 5 (indicating the highest). This scoring system enables the quantification of subjective assessments, providing a structured and measurable basis for data analysis.

For evaluate entrepreneurial management, using likert scale. The Likert measurement scale uses STS, which means Strongly Disagree and is represented by the number 1 in the scale, and SS means Strongly Agree and is represented by the number 5. Therefore that, in study here, entrepreneurial management is measured through scale measurement with score answers indicating "STS = score 1" to "SS = score 5". Data were collected through questionnaire and analyzed use Partial Least Square (PLS) (Stocchero et al. 2021).

3. RESULTS AND DISCUSSIONS

3.1 Results

In this study, data analysis was conducted using the Partial Least Square (PLS) approach with SmartPLS version 4.0 software. The evaluation of convergent validity in the measurement model was carried out using reflective indicators, where the correlation between item scores and variable scores served as the evaluation parameter. An indicator is regarded as valid if it demonstrates a correlation value above 0.70. However, in the early stages of scale development, loading values between 0.50 and 0.60 may still be considered adequate, as suggested by various researchers. This level of tolerance allows for further refinement of the measurement model as the instrument evolves (Supriyati, 2021). The outcomes of this test play a crucial role in verifying that the measurement instrument applied is both valid and reliable in representing the intended constructs. By ensuring the quality of the instrument, the analysis conducted can yield accurate and trustworthy results, which are vital for producing meaningful interpretations and advancing scholarly understanding within the respective domain of research. (Rosita et al., 2021). The following presents the test results using the Partial Least Square approach .

a. Outer Loading

The outer loading functions as an indicator of the extent to which each observed variable accurately represents the underlying latent construct. A value exceeding 0.50 suggests that the indicator has a significant contribution to the latent variable, thereby confirming its validity in the measurement model (Hair et al., 2011). This criterion ensures that only indicators demonstrating adequate reliability are included in the subsequent stages of analysis

Table 3 Outer loading results table

Variable	AVE	Invormation
Entrepreneurial Management	0.623	Valid
Performance MSMEs	0.743	Valid
Competitive Advantage	0.701	Valid

Source: data processed by SmartPLS 4.

Based on Table 3 it can be concluded that the outer loading values for each item in the variables of entrepreneurial management, MSMEs performance, and competitive advantage exhibit a correlation greater than 0.50. Thus, the indicators within each variable are considered valid, as they adequately represent the measured variables (Supriyati, 2021). Furthermore, composite reliability is deemed good if its value exceeds 0.60. The results of the Partial Least Squares (PLS) analysis indicate that the combined reliability values for all variables entrepreneurial management, MSME performance, and competitive advantage are greater than 0.70. Therefore, it can be concluded that the variable model used has a high level of reliability (Memon et al., 2021).

AVE is a convergent and divergent validity test. According to (Hair et al., 2019), the convergent validity criteria are met if the AVE value is more than 0.05. Each variable has an AVE value greater than 0.5, as shown in the table below. Therefore, each variable is considered valid.

Table 4 Average Variance Extracted results table

Interrelationships Variable	R-Square
Performance MSMEs	0.633
Competitive Advantage	0.348

Source: data processed by SmartPLS 4.

The table indicates that all three variables Entrepreneurial Management (0.623), Performance MSMEs (0.743), and Competitive Advantage (0.701) exceed the minimum AVE threshold. Hence, it can be inferred that each construct demonstrates acceptable convergent validity. This suggests that the indicators reliably capture and reflect the latent variables they are designed to measure.

b. Reliability Testing

Reliability testing is a statistical procedure used to assess the consistency and stability of a research instrument in measuring the examined variables. A variable is considered to have an adequate level of reliability if its composite reliability and Cronbach's alpha exceed 0.70, indicating that the indicators within a construct exhibit strong internal consistency (Hair et al., 2019).

Table 5 Reliability Test results table

Variable	Cronbach's Alpha	Composite Reliability	Invormation
Entrepreneurial Management	0.797	0.815	Reliable
Performance MSMEs	0.824	0.828	Reliable
Competitive Advantage	0.788	0.806	Reliable

These values are presented in Table 5 below as empirical evidence of the instrument's reliability. Therefore, variables that meet the reliability threshold can be utilized for further analysis, either as dependent or independent variables, depending on the research objectives. These results confirm that the instruments used to measure each variable have sufficient reliability. This allows the

variables to be used appropriately in further analysis, whether as predictors or as outcomes based on the research's goals.

c. Inner Model Evaluation

Inner model evaluation illustrates the relationships between latent constructs, specifically how one latent variable influences another. For instance, this includes analyzing the effect of entrepreneurial management on MSME performance, as well as the role of competitive advantage as a mediating or moderating variable within that relationship (Hair et al., 2019). The results of the inner model evaluation are illustrated in the table below.

Table 6 R-square results table

Construct	Indicator	Outer Loading	Information
Entrepreneurial Management	1. Strategy orientation	0.803	Valid
	2. Philosophy of appreciation	0.784	Valid
	3. Organic structure	0.861	Valid
	4. Entrepreneurial culture	0.701	Valid
Performance MSMEs	1. Asset growth	0.783	Valid
	2. Sales growth	0.907	Valid
	3. Growth in the number of employees	0.890	Valid
Competitive Advantage	1. Cost leadership	0.829	Valid
	2. Differentiation strategy	0.872	Valid
	3. Focus strategy	0.809	Valid

Source: data processed by SmartPLS 4.

Based on the R-Square analysis using the PLS method, the coefficient of determination (R-square) for entrepreneurial management on MSME performance is 0,663. This indicates that entrepreneurial management contributes 66.3% to MSME performance, while the remaining 33.7% is influenced by other factors that also affect MSMEs performance in Sidoarjo Regency. Furthermore, the analysis reveals that the impact of entrepreneurial management on MSME performance through competitive advantage has an R-square value of 0.348. This means that entrepreneurial management contributes 34.8% to MSMEs performance through competitive advantage in Sidoarjo Regency.

d. Hypotesis Testing

The influence between variables can be considered significant if the calculated t-value is greater than the critical t-value at a 5% significance level (t-table = 1.96) or if the p-value is less than 0.05 (Hikmawati, 2017). This determination is based on statistical testing, which assesses whether the observed relationships between variables are statistically meaningful. The following results are derived from the SmartPLS output after performing the bootstrapping procedure on the model:

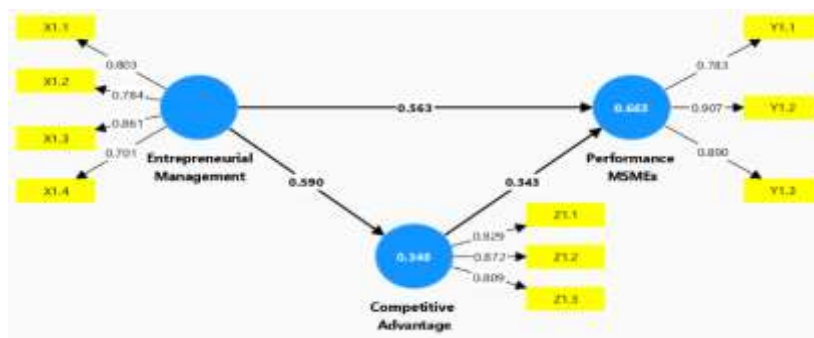


Figure 1 Hypothesis testing of the influence of entrepreneurial management on MSME performance through competitive advantage

As presented in figure 1, the standardized loading factor values for each indicator exceed 0.6 (Mohamad et al., 2013). This indicates that the indicators in the outer model are deemed valid as measurement instruments for the corresponding latent variables. In other words, the analysis results confirm that these indicators are appropriate and can serve as reliable representations for measuring the respective latent variables (Annisak et al., 2024).

Based on the results of the path diagram presented above, the direction and magnitude of the influence between variables can be explained through the path coefficients, which are summarized in the table below:

Table 7 Table of influence between variables from bootstrapping results

Interrelationships Variable	Original Sample (O)	T- statistics	P Values	Information
Entrepreneurial Management Against Performance MSMEs	0.563	2.178	0,029	Significant
Entrepreneurial Management Againsts Competitive Advantange	0.590	4.310	0,000	Significant
Competitive Advantage Againsts Performance MSMEs	0.343	1.117	0,264	Not Significant

Source: data processed by SmartPLS 4.

Based on the table above, the bootstrapping path coefficient shows that entrepreneurial management has a significant influence on MSME performance. Apart from that, entrepreneurial management has also been proven to have a significant impact on competitive advantage. However, the analysis results in the table indicate that competitive advantage does not have a significant influence on MSME performance. These findings do not support the ideas of previous research conducted by (Otache & Usman, 2024) and (Hindarwati et al., 2021). In general, these studies show that if the MSMEs actors in this research have good and adequate entrepreneurial management skills, then the competitive advantage in the business they take will lead to increased performance over time. Thus, this can help companies survive in the midst of a crisis in the long term.

e. Mediation Test

The following table presents an overview of the role of competitive advantage as a mediating variable in the relationship between independent variables and MSMEs performance as the dependent variable, based on the results of the analysis conducted. Mediation Test is carried out to assess and validate the role of the mediating variable in bridging the relationship between the independent and dependent variables (Hair et al., 2019). This test offers valuable insights into how the variables interact within the research model and strengthens the theoretical basis for the presence of mediated or indirect relationships.

Table 8 Table of Mediation Test from bootstrapping results

Interrelationships Variable	Original Sample (O)	T- statistics	P Values	Information
Entrepreneurial Management -> Competitive Advantage -> Performance MSMEs	0.203	1.180	0,238	Rejected

Source: data processed by SmartPLS 4.

The test results indicate that the competitive advantage variable does not function as a mediator in the relationship between the independent variable and MSME performance, as presented in Table 8. The table shows that the t-statistic value for the relationship between entrepreneurial management and performance MSMEs, with competitive advantage as a mediating variable, is 1.180, which is below the threshold of 1.96. Additionally, the p-value of 0.238 exceeds the significance level of 0.05, indicating that the mediation effect is not statistically significant.

Therefore, competitive advantage does not have a meaningful role as a mediating variable in the relationship between entrepreneurial management and Performance MSMEs.

3.2 Discussions

Referring This study explores the mediating role of competitive advantage in the relationship between entrepreneurial management and the performance of MSMEs in Sidoarjo Regency. In line with the proposed hypothesis, the research findings indicate that entrepreneurial management has a positive influence on MSME performance. Furthermore, this study confirms that various dimensions of entrepreneurial management, such as strategic orientation, reward philosophy, organic organizational structure, and entrepreneurial culture, significantly contribute to improving MSME performance.

These findings align with previous research conducted by Otache & Usman (2024) and Hindarwati et al. (2021), further emphasizing that strong and adequate entrepreneurial management capabilities among MSME actors play a crucial role in enhancing their business competitiveness. By possessing solid managerial skills, MSMEs can more effectively identify opportunities, optimally manage resources, and develop adaptive strategies in response to market dynamics. The competitive advantage that emerges from the effective implementation of entrepreneurial management positively influences business performance in the long term.

Entrepreneurial management significantly impacts the enhancement of competitive advantage by helping MSMEs develop more adaptive and innovative strategies in managing resources and responding to market changes. The stronger the competitive advantage, the greater the resilience of MSMEs in facing various external challenges, such as economic uncertainty and intense competition. In times of crisis, MSMEs with well-developed entrepreneurial management are more capable of flexibly adjusting their business strategies, whether through product innovation, market expansion, or operational efficiency (Hindarwati et al., 2021). Therefore, the optimal implementation of entrepreneurial management not only strengthens competitiveness but also enhances the readiness of MSMEs in navigating business environment dynamics.

However, based on empirical findings from research conducted by (Ariwibowo et al., 2022) , competitive advantage does not have a significant influence on the performance of MSMEs. This research is also in line with research conducted by (Komarudin, 2021) that competitive advantage does not mediate the relationship between independent variables and MSME performance. This finding suggests that factors such as cost leadership strategy, differentiation strategy, and focus strategy do not have a substantial impact on MSME performance in Sidoarjo Regency. Instead, improvements in MSME performance are more directly influenced by the effectiveness of entrepreneurial management implementation rather than the competitive advantage possessed by MSMEs themselves. This indicates that aspects of entrepreneurial management, such as strategic planning, resource management capabilities, and accuracy in business decision-making, play a more dominant role in driving MSME growth and development.

Although effective entrepreneurial management contributes to enhancing both competitive advantage and MSME performance, the findings of this study reveal that competitive advantage does not function as a mediator in the relationship between the independent and dependent variables. This research is not in line with the research conducted by (Otache & Usman, 2024) which states that entrepreneurial management on MSME performance can be mediated by competitive advantage. In other words, competitive advantage does not significantly influence the relationship between entrepreneurial management and MSME performance in Sidoarjo Regency. Therefore, improving managerial skills in entrepreneurship becomes a more critical factor in driving MSME performance rather than merely focusing on achieving competitive advantage (Annisa & Dwi Elfarina, 2023).

These findings highlight the importance of strengthening managerial capacity among MSME actors, including enhancing leadership skills, risk management, and adaptability to the continuously evolving market dynamics. Additionally, innovation in products and services, the utilization of

technology, and data-driven strategic decision-making are key factors in strengthening competitiveness and ensuring long-term business sustainability (Kiyabo & Isaga, 2020). Therefore, to create more competitive and sustainable MSMEs, a more systematic effort is required to enhance managerial competencies and foster an innovation driven culture among entrepreneurs.

4. CONCLUSION

This study found that entrepreneurial management has a significant impact on improving the performance of MSMEs and directly contributes to strengthening their competitive advantage. However, competitive advantage was not proven to have a significant effect on MSMEs performance, nor did it serve as a mediating variable in the relationship between entrepreneurial management and performance. These findings indicate that the effectiveness of entrepreneurial management is a key factor in driving business performance. Therefore, MSME actors should enhance their managerial capabilities by applying practical steps such as developing products based on customer feedback, setting clear short-term business goals, and using simple data tools like spreadsheets or social media analytics to guide decisions. These findings also serve as a foundation for government and support institutions to design hands-on training and mentoring programs tailored to the specific needs and growth stages of each MSME. This study enriches the literature on strategic management of MSMEs and provides empirical insights into the importance of entrepreneurial management in the MSMEs context, particularly in the Sidoarjo Regency. It also highlights that an adaptive managerial approach should be prioritized to enhance competitiveness and improve small business performance. Therefore, this research can serve as a valuable reference for policy formulation and the development of empowerment programs for small enterprises. This study has several limitations that should be acknowledged and considered for future research development. The geographic focus is limited to MSMEs in Sidoarjo Regency, which means the findings may not be generalizable to other regions with different social, economic, or cultural characteristics. Furthermore, although the sample size was determined proportionally, it remains relatively small to fully capture the broader complexity of MSME dynamics. Subsequent studies are encouraged to involve a larger respondent pool, include a wider variety of participants, and cover broader geographic areas in order to improve the comprehensiveness and applicability of the research results.

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