

ABSTRACT

Companies in a country produce a product or service with the aim of obtaining profits for the owner of the company. The problem and purpose of this study is to find out and analyze the causes of the decline in the number of food SMEs in Semarang caused by a lack of company performance through indirect competitive advantage and influenced by entrepreneurial orientation, business environment adaptation, and business innovation directly.

The sample of this study were the owners or managers of Food SMEs in The City of Semarang with a total of 120 respondents. Data analysis uses Structural uses Structural Equation Modeling (SEM) techniques that are processed using IBM AMOS 22 software.

The results of the analysis show that business orientation, adaptation of the business environment and business innovation affect business performance through competitive advantage, but only adaptation to the business environment variable can affect business performance directly without going through competitive advantage, the rest variable can affect business performance through business competitive advantage. Adaptation of the business environment is the variable that most influences variable of business performance directly and indirectly. Entrepreneurial orientation has an indirect effect on business performance. SME owners also need to improve their ability to innovate in marketing their products and the right variety of competing strategies by increasing their insight, knowledge and competencies about marketing science. In addition, it is necessary to increase business instinct through courage in making decisions by minimizing existing risks.

Keywords : *entrepreneurial orientation, business environment adaptation, business innovation, competitive advantage, business performance, food small medium enterprises, semarang city*