

ABSTRACT

In an era of increasingly dynamic and complex business competition, companies are required to adapt to environmental changes and develop adaptive strategic and entrepreneurial orientations to survive and thrive. This study aims to examine the influence of entrepreneurial orientation, environmental adaptability, and strategic orientation on competitive advantage and business performance. Furthermore, this study also examines the role of competitive advantage as a mediating variable in this relationship. The sample consisted of 66 respondents selected using a purposive sampling method. Data were analyzed using Structural Equation Modeling (SEM) with the aid of SmartPLS software.

The results show that entrepreneurial orientation has a significant positive effect on competitive advantage (0.253; $t = 2.273$; $p = 0.025$) and directly on business performance (0.268; $t = 2.281$; $p = 0.023$). Business environmental adaptability has a positive and significant effect on competitive advantage, with a value of 0.434 in the original sample ($t = 4.125$; $p = 0.000$). Environmental adaptability also has a direct, positive, and significant effect on business performance, with a value of 0.237 ($t = 1.984$; $p = 0.048$). Strategic orientation has been shown to have a positive and significant effect on competitive advantage (0.362; $t = 3.236$; $p = 0.001$) and directly on business performance (0.238; $t = 1.994$; $p = 0.046$). Competitive advantage also has a positive and significant effect on business performance, with a value of 0.362 ($t = 2.736$; $p = 0.006$), demonstrating the important role of competitive advantage in supporting company performance.

Furthermore, competitive advantage significantly mediated the influence of environmental adaptability (indirect effect 0.157; $t = 2.110$; $p = 0.035$) and strategic orientation (indirect effect 0.131; $t = 2.163$; $p = 0.031$) on business performance, confirming the role of competitive advantage as a connecting variable in this model. The mediation of competitive advantage in the relationship between entrepreneurial orientation and business performance was also significant (indirect effect 0.119; $t = 2.021$; $p = 0.039$).

Keywords: *Entrepreneurial Orientation, Environmental Adaptability, Strategic Orientation, Competitive Advantage, Business Performance.*

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