

ABSTRACT

This study aims to examine the influence of entrepreneurial orientation and adaptation of the external business environment to competitive advantage and its implications for business performance in SME building stores in the city of Semarang and its surroundings. The sample of this study is the owner or person in charge of the SME building shop in the city of Semarang and its surroundings with as many as 100 respondents. Structural Equation Modeling is run with SmartPLS 3 software for data analysis.

The results of the analysis show that entrepreneurial orientation has a positive effect on competitive advantage in improving company performance. While the adaptation of the external business environment has a positive influence on competitive advantage.

The most dominant variable affecting the business performance of building shop SMEs by mediating competitive advantage is entrepreneurial orientation. The implication suggested to UKM building shops in Semarang City, must be able to create competitive advantage through entrepreneurial orientation by increasing independence so as to be able to do business efficiency and increase proactive attitude in its business so that planning, implementation and business supervision can proceed accordingly.

Keywords: *entrepreneur orientation, business environment adaptability, competitiveness advantage, firm performance.*