

**SYNERGIZING ENTREPRENEURIAL KNOWLEDGE AND  
COMPETITIVE ADVANTAGE AS DETERMINANTS OF MSME  
SUCCESS**

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**ABSTRACT**

This study aims to analyze the influence of entrepreneurial knowledge and competitive advantage on business success among Micro, Small, and Medium Enterprises (MSMEs) in the Ciganjur area. The research is motivated by the strategic role of MSMEs in Indonesia's economy and the challenges they face in maintaining competitiveness in an increasingly dynamic market. A quantitative approach with an explanatory research method was employed to examine the causal relationships among variables. Primary data were collected from 120 MSME owners using a questionnaire, with the sample determined through the Slovin formula at a 5% margin of error. The results indicate that entrepreneurial knowledge has a positive and significant effect on business success, implying that higher entrepreneurial knowledge enhances the likelihood of achieving business success. Competitive advantage also shows a positive and significant impact on business success, particularly through product quality, innovation, and promotional strategies. Simultaneously, both variables significantly influence business success. These findings highlight the importance of strengthening entrepreneurial capacity and implementing adaptive competitive strategies to improve MSME performance and sustainability in a highly competitive environment.

**Keywords:** Business Success, Competitive Advantage, Entrepreneurial Knowledge, MSMEs

## **A. INTRODUCTION**

Increasingly competitive economic conditions require business actors, including Micro, Small, and Medium Enterprises (MSMEs), to continuously adapt to changes in the business environment. In this context, MSMEs play a highly strategic role in the national economy, both as providers of employment and as key drivers of community based economic activity. According to data from the Ministry of Cooperatives and SMEs (Kemenkop UKM, 2022), MSMEs contribute more than 60% to the national Gross Domestic Product (GDP) and absorb approximately 97% of the workforce. This condition indicates that MSMEs constitute the backbone of the Indonesian economy.

However, despite their substantial contribution, many MSMEs continue to face challenges in maintaining business sustainability. Common problems include limited entrepreneurial knowledge, weak marketing strategies, suboptimal financial management, and a low capacity to create competitive advantage. These limitations often hinder MSME growth and reduce their ability to compete in increasingly intense market competition (Tambunan, 2019).

According to (Porter, 1985), competitive advantage refers to a firm's ability to create greater value than its competitors, either through product differentiation or cost efficiency. Competitive advantage is a critical factor in determining long-term business success. Meanwhile, entrepreneurial knowledge serves as a fundamental foundation for business actors in making strategic decisions, managing resources, and anticipating business risks (Zimmerer & Scarborough, 2018).

Previous studies have produced mixed findings regarding the influence of entrepreneurial knowledge and competitive advantage on business success. (Arfan & Winarso, 2019) found that entrepreneurial knowledge has a significant effect on the success of MSMEs in Ngaglik District, Sleman Regency, while entrepreneurial characteristics do not significantly affect business success. In contrast, (Lai & Widjaja, 2020) reported that creativity and innovation significantly influence business success, whereas entrepreneurial knowledge does not have a significant effect on coffee shop MSMEs in West Jakarta.

These differing findings suggest that the influence of entrepreneurial knowledge and competitive advantage on business success is contextual and requires further investigation based on regional characteristics and business sectors. In Ciganjur, for example, the culinary and fashion MSME sectors are the most dominant and serve as the main pillars of local economic activity. However, not all business actors in these sectors achieve optimal levels of success, as indicated by disparities in customer numbers and income stability.

Business success can be observed through increases in sales and customer loyalty. In Indonesia, trends in viral fashion and food products have been rising, supported by influencer based video reviews as a promotional strategy. This phenomenon is also evident in Ciganjur, where many fashion and culinary MSMEs are experiencing growth. Given these conditions, identifying the key factors that significantly influence MSME business success becomes an important area of inquiry.

Based on this phenomenon, this study focuses on analyzing the effects of entrepreneurial knowledge and competitive advantage on the business success of

MSMEs in Ciganjur. This research is expected to provide empirical contributions to the development of strategies aimed at enhancing MSME competitiveness and to serve as a reference for business actors and relevant stakeholders in strengthening managerial capacity and business strategies.

## **B. LITERATURE REVIEW**

### ***Micro, Small, and Medium Enterprises (MSMEs)***

Micro, Small, and Medium Enterprises (MSMEs) in Indonesia play a crucial role in economic contributions, particularly in terms of employment generation and gross domestic product (GDP). However, MSMEs commonly face challenges such as limited access to capital, weak managerial capabilities, insufficient entrepreneurial skills, and restricted market access. Numerous studies indicate that MSME performance is influenced by both internal factors such as entrepreneurial competencies, business characteristics, and knowledge and external factors, including competition, government policies, and market orientation.

The success of MSMEs is determined by a variety of internal and external factors. Internal factors include entrepreneurial knowledge, competitive advantage, innovation, and managerial capabilities, while external factors encompass government support, market conditions, and technological development.

According to (Rahmawati & Wibowo, 2021), strong entrepreneurial knowledge enhances MSMEs' ability to innovate and manage resources effectively, thereby enabling them to create competitive advantages that ultimately lead to business success.

### ***Entrepreneurial Knowledge***

Entrepreneurial knowledge encompasses an understanding of business management, business opportunities, markets, finance, marketing, as well as the ability to apply efficient practices in business operations. (Aini et al., 2022) found that entrepreneurial knowledge has a positive relationship with the business success of MSMEs in Samarinda.

(Aprilia & Defrizal, 2025), in their study of culinary MSMEs along Purnawirawan Raya Street in Lampung, found that entrepreneurial knowledge, together with entrepreneurial spirit has a positive and significant effect, both partially and simultaneously, on business success. Furthermore, (Prabowo et al., 2023) examined MSMEs in Semarang and revealed that creativity and entrepreneurial knowledge significantly influence business success.

### ***Competitive Advantage***

Competitive advantage refers to a condition in which a business possesses attributes or factors that make it more effective or more preferable than its competitors in aspects such as cost efficiency, product differentiation, quality, service, innovation, and market reputation. (Ercantan et al., 2024) emphasize that competitive advantage is the result of entrepreneurial capabilities in effectively utilizing opportunities and resources.

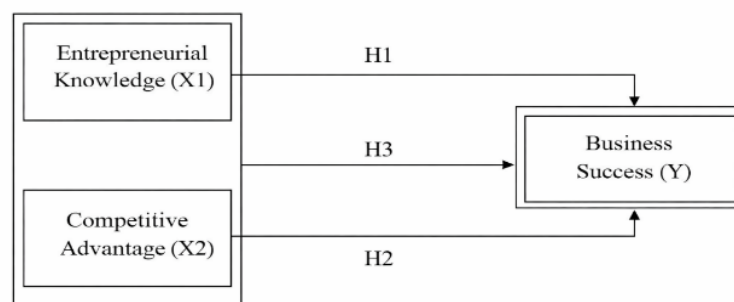
(Tolossa, 2024) also found that effective entrepreneurial marketing strategies enhance competitive advantage, which in turn has a positive implication for the sustainability of small and medium-sized enterprises. From the perspective of the Resource-Based View (RBV) theory, the unique knowledge and capabilities of entrepreneurs constitute strategic resources that are difficult for competitors to imitate and serve as a fundamental basis for building competitive advantage (Barney, 1991). Furthermore, competitive advantage is considered an important variable that either mediates or directly influences business performance (Kiyobo & Isaga, 2020).

### **Business Success**

Business success is often measured through indicators such as business growth, profitability, financial stability, customer satisfaction, sales volume, market share, and, in some cases, the entrepreneur's subjective satisfaction. A study on MSME coffee shops in West Jakarta demonstrated that entrepreneurial knowledge and competitive advantage have a positive and significant effect on business success, both partially and simultaneously. Entrepreneurial knowledge encourages innovation and value creation, thereby strengthening competitive advantage (Lai & Widjaja, 2020).

Furthermore, a study of MSMEs in East Java found that entrepreneurial knowledge and competitive advantage jointly have a significant influence on business success. The most dominant factor identified was the ability of business owners to implement competitive strategies based on product differentiation (Hasanah & Santoso, 2021). (Rahayu & Purnamasari, 2016) highlighted the role of entrepreneurial knowledge and competitive advantage in influencing the performance of micro-enterprises in Yogyakarta. Their findings indicate that the combination of these two variables enhances business sustainability, as entrepreneurs with broader knowledge are better able to develop adaptive competitive strategies.

A comparative study of SMEs in Finland and Hungary revealed that strong entrepreneurial knowledge and innovative competitive strategies simultaneously exert a positive effect on the success and growth of small businesses (Laukkanen et al., 2016).



Source: Data Proceed 2025

**Figure 1.**  
**Conceptual Framework**

- H<sub>1</sub> : The effect of entrepreneurial knowledge on business success  
 H<sub>2</sub> : The effect of competitive advantage on business success  
 H<sub>3</sub> : The effect of entrepreneurial knowledge and competitive advantage on business success

### C. RESEARCH METHODOLOGY

This study employs a quantitative approach using an explanatory research method, which aims to explain the causal relationships among entrepreneurial knowledge, competitive advantage, and MSME business success. This approach was selected because it allows for systematic hypothesis testing through statistical analysis. The method is consistent with the study conducted by (Mahmood & Hanafi, 2013), which examined the relationship between entrepreneurial competencies and MSME business performance in Malaysia.

**Table 1.**  
**Indicators of Research Variables**

Variable	Indicators
Entrepreneurial Knowledge	X <sub>1,1</sub> Understanding of entrepreneurship X <sub>1,2</sub> Entrepreneurial goals X <sub>1,3</sub> Ideas and creativity X <sub>1,4</sub> Leadership orientation X <sub>1,5</sub> Willingness to take risks
Competitive Advantage	X <sub>2,1</sub> Product quality X <sub>2,2</sub> Product pricing X <sub>2,3</sub> Product innovation X <sub>2,4</sub> Customer satisfaction X <sub>2,5</sub> Location accessibility X <sub>2,6</sub> Promotional strategy
Business Success	Y <sub>1,1</sub> Human resources Y <sub>1,2</sub> Marketing Y <sub>1,3</sub> Customers Y <sub>1,4</sub> Financial Management Y <sub>1,5</sub> Revenue

*Source: Processed data by researchers*

The sample size was determined using the Slovin formula with a 5% margin of error. A similar approach was employed by (Fatoki, 2011) in his analysis of the determinants of small business success in South Africa. The data used in this study are primary data, obtained through the distribution of closed-ended questionnaires to MSME actors.

The population of this study consists of business owners, particularly in the fashion and culinary sectors, located in Ciganjur, South Jakarta. The sample used in this study comprised 120 respondents who operate businesses in the fashion and culinary sectors.

## D. RESULTS AND DISCUSSION

### Results

**Table 2.**  
**Validity Test Results**

Variable	Item	r	r <sub>table</sub>	Result
Entrepreneurial Knowledge (X <sub>1</sub> )	X <sub>1.1</sub>	0,762	0,1793	Valid
	X <sub>1.2</sub>	0,806	0,1793	Valid
	X <sub>1.3</sub>	0,711	0,1793	Valid
	X <sub>1.4</sub>	0,674	0,1793	Valid
	X <sub>1.5</sub>	0,734	0,1793	Valid
Competitive Advantage (X <sub>2</sub> )	X <sub>2.1</sub>	0,728	0,1793	Valid
	X <sub>2.2</sub>	0,743	0,1793	Valid
	X <sub>2.3</sub>	0,739	0,1793	Valid
	X <sub>2.4</sub>	0,827	0,1793	Valid
	X <sub>2.5</sub>	0,720	0,1793	Valid
	X <sub>2.6</sub>	0,732	0,1793	Valid
Business Success (Y)	Y <sub>1</sub>	0,810	0,1793	Valid
	Y <sub>2</sub>	0,802	0,1793	Valid
	Y <sub>3</sub>	0,784	0,1793	Valid
	Y <sub>4</sub>	0,796	0,1793	Valid
	Y <sub>5</sub>	0,807	0,1793	Valid

Source: Processed data using SPSS

Based on Table 2, all measurement items for each variable show correlation coefficients exceeding the critical  $r_{\text{value}}$ , indicating that all items used in this study are valid.

**Table 3.**  
**Reliability Test Results**

Variabel	Cronbach Alpha	Alpha	Item	Keterangan
X <sub>1</sub>	0,789	0,6	5	Reliabel
X <sub>2</sub>	0,840	0,6	6	Reliabel
Y	0,859	0,6	5	Reliabel

Source: Processed data using SPSS

Table 3 shows that all variables tested have Cronbach's Alpha coefficients greater than 0,6, indicating that each variable used in this study is reliable.

### Discussion

#### Respondent Description

**Table 4.**  
**Respondent Characteristics**

Characteristic	Classification	Frequency (n)	Percentage (%)
Gender	Male	65	54,2
	Female	55	45,8
	<b>Total</b>	<b>120</b>	<b>100</b>
Age	20-30 years	77	64,2
	31-40 years	34	28,3
	41-50 years	8	6,7

Characteristic	Classification	Frequency (n)	Percentage (%)
	51-60 years	1	0,8
	<b>Total</b>	<b>120</b>	<b>100</b>
Educational Level	Junior High School	1	0,8
	Senior/Vocational High School	75	62,5
	Diploma/Bachelor's Degree		
	<b>Total</b>	44	36,7
		<b>120</b>	<b>100</b>
Jumlah Karyawan	Max 4 orang	92	76,7
	5-19 orang	20	16,7
	20-99 orang	8	6,7
	<b>Total</b>	<b>120</b>	<b>100</b>

*Source: Processed data using SPSS*

The majority of respondents were male (54.2%), indicating that MSME business actors in the study area are predominantly men. However, the proportion of female respondents was also relatively high (45.8%), suggesting an increasing role of women in micro and small business activities. This finding is consistent with national trends showing that women are becoming increasingly active in entrepreneurship, particularly in the culinary and fashion sectors (Ministry of Cooperatives and SMEs, 2022).

Most respondents were aged 20–30 years (64.2%), indicating that MSME actors in the study area are largely dominated by younger generations. This reflects a strong entrepreneurial spirit among millennials, who tend to be adaptive, creative, and open to business innovation. Meanwhile, the 31–40 age group (28.3%) represents the involvement of more experienced entrepreneurs.

In terms of educational background, the majority of respondents had completed senior high school or vocational high school (62.5%), followed by diploma or bachelor's degree holders (36.7%). These data indicate that most MSME actors possess at least a secondary to higher level of education, which supports their ability to manage businesses and understand basic business strategies. Nevertheless, a small proportion of business actors had a lower educational background (0.8%), which may pose challenges in administrative management and access to business-related information.

Most respondents fell into the micro-enterprise category (76.7%), indicating that their business scale remains relatively small with limited human resources. This condition is common in the Indonesian MSME sector, where micro enterprises account for more than 90% of total business units nationwide (Statistics Indonesia, 2023). Only a small proportion of respondents have grown into small and medium sized enterprises.

### ***The Influence of Entrepreneurial Knowledge on Business Success***

Based on the results of data analysis, it was found that entrepreneurial knowledge has a positive and significant effect on business success among MSMEs in Ciganjur. This is evidenced by the results of the partial t-test, which produced a significance value of 0.016, lower than the threshold of 0.05.

Entrepreneurial knowledge is one of the essential factors in operating a business, as a solid foundation in entrepreneurship can facilitate entrepreneurs in achieving business success. MSME actors are required to continuously learn and develop their knowledge and skills, as entrepreneurs with higher levels of entrepreneurial knowledge are more likely to enhance their opportunities for achieving business success. In this study, a strong relationship was found between entrepreneurial knowledge and business success, particularly reflected in long-term entrepreneurial understanding and business operations that are aligned with the planned entrepreneurial objectives.

Therefore, it can be concluded that MSME actors with higher levels of entrepreneurial knowledge are more capable of achieving higher levels of business success.

The findings of this study are consistent with those of (Hamdani & Fatimah, 2024), who concluded that entrepreneurial knowledge has a positive and significant impact on business success. Furthermore, (Soomro et al., 2024), as well as (Li et al., 2020), also stated that entrepreneurial knowledge is one of the important factors that significantly influence the performance and success of micro and small enterprises.

### ***The Influence of Competitive Advantage on Business Success***

Based on the results of data analysis, it was found that competitive advantage has positive and significant effect on business success among MSMEs in Ciganjur. This is evidenced by the result of the partial t-test, which produced a significance value of 0,000. lower than the threshold of 0,05.

Competitive advantage is one of the key factors that can determine business success. Enterprises with a competitive advantage are better positioned to attract and retain customers, increase market share, improve profitability, strengthen brand image, enhance business resilience, and boost employee motivation and morale. Product pricing plays an important role in influencing consumers' purchasing decisions, while customers satisfaction, achieved through the provision of high quality products and excellent service, has a strong relationship with competitive advantage. This indicates that the stronger the competitive position of MSMEs, the greater the likelihood of improving business success among MSME actors in Ciganjur.

The findings of this study are consistent with those of (Nurbasari & Harani, 2016), who stated that competitive advantage strategies significantly influence business success. A combination of low cost and differentiation strategies can enhance business performance and success.

### ***The Influence of Entrepreneurial Knowledge and Competitive Advantage on Business Success***

The results of the f-test indicate that entrepreneurial knowledge and competitive advantage simultaneously have a significant effect on the business success of MSMEs in Ciganjur. Business success is more likely to be achieved when employees possess adequate knowledge to perform their tasks in accordance with established procedures and regulations, as well as when periodic income

reports are prepared to identify profits or deficits. In this study, business success is enhanced by consistently equipping employees with the necessary knowledge to work in compliance with operational procedures and by continuously conducting financial monitoring and reporting.

The finding of this study are consistent with those of (Lutfiana et al., 2024), who found that entrepreneurial characteristics and competitive advantage simultaneously have a significant effect on the success of micro and small scale enterprises.

## **E. CONCLUSIONS**

Based on the hypothesis testing, entrepreneurial knowledge and competitive advantage have a significant effect on business success, both partially and simultaneously. Entrepreneurial knowledge in this can be further enhanced when business actors actively seek and implement creative ideas derived from existing opportunities for their enterprises, as well as consider leadership as a crucial aspect in managing their businesses. Competitive advantage needs to be strengthened through improvements in product quality and by ensuring business locations are easily accessible to consumers. Business success can be increased by offering attractive program to enhance customer loyalty and by consistently conducting financial monitoring and reporting.

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