

# The Effect of Entrepreneurship Leadership on Business Performance Mediated by Competitive Advantage and Dynamic Capability in Batik Giriloyo MSMEs

Deden Rokhanawati<sup>1</sup>, Sabihaini<sup>2</sup>, Heru Kristanto<sup>3</sup>

<sup>1,2,3</sup>Management Departement, Economic and Business Faculty, Universitas Pembangunan Nasional "Veteran" Yogyakarta, Indonesia

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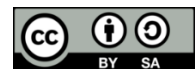
Batik MSMEs

## ABSTRACT

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This study examines and analyses the effect of entrepreneurship leadership on the business performance of Giriloyo Batik MSMEs by involving the mediating variables of competitive advantage and dynamic capability. The research method uses a quantitative approach with a sample of 80 respondents. The analysis tool uses PLS. The research findings show that entrepreneurship leadership positively affects business performance, which has yet to be accepted. In contrast, entrepreneurship leadership positively and significantly impacts competitive advantage and dynamic capability is accepted. Competitive advantage that has a positive effect on business performance is not taken; dynamic capability has no effect and is not significant to business performance. While the indirect effect test results show that entrepreneurship leadership impacts business performance mediated by competitive advantage, it is not supported; entrepreneurship leadership's effect on business performance mediated by dynamic capability is also not supported, which means that the direct and indirect effects are insignificant. In other words, entrepreneurship leadership's effect on business performance mediated by competitive advantage is not supported, and entrepreneurship leadership's effect on business performance mediated by dynamic capability is also not supported. In other words, competitive advantage and dynamic capability have yet to be able to mediate the relationship between entrepreneurship leadership and business performance at this time. This is a future challenge for Giriloyo Batik MSMEs.

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## Corresponding Author:

Name: Sabihaini

Institution Address: Management Departement, Economic and Business Faculty, Universitas Pembangunan Nasional "Veteran" Yogyakarta, Indonesia

e-mail: [sabihaini@upnyk.ac.id](mailto:sabihaini@upnyk.ac.id)

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### 1. INTRODUCTION

Entrepreneurship is one factor that encourages the strengthening of the Indonesian economy. Entrepreneurship is creating and developing an innovative and sustainable business [1]. Entrepreneurship is now considered a symbol of business resilience and success [2]. Therefore, entrepreneurship is considered a crucial element in running a business. In line with this, Strengthening Entrepreneurship, Micro, Small, and Medium Enterprises, and

Cooperatives has been made an agenda in the Government's National Medium-Term Development Plan for the 2020-2024 period.

Micro, Small, and Medium Enterprises (MSMEs) are strategic economic sectors for economic growth in Indonesia. Based on data, the contribution of MSMEs to the Gross Domestic Product (GDP) reached 60.5% in 2021 [3]. However, MSMEs still need help with their development (Rahim et al., 2015), such as with marketing difficulties, fierce business competition, and limited production and managerial skills.

**Table 1** Number of SMEs by Business Scale

	2019	2020	2021	2022	2023
Micro Business	143.385,00	188.033,00	311.540,00	324.750,00	326.114,00*
Small Business	65.533,00	58.980,00	16.069,00	16.070,00	16.069,00*
Medium Enterprises	39.581,00	30.664,00	2.110,00	2.110,00	2.110,00*
<b>Total</b>	<b>248.499,00</b>	<b>277.677,00</b>	<b>329.719,00</b>	<b>342.930,00</b>	<b>344.293,00*</b>
Information	*temporary				

Source : DIY Local Government (2023)

One of the MSME centres in the Special Region of Yogyakarta is the Giriloyo Batik MSME, located in Wukirsari Village, Bantul. Based on preliminary data, the business performance of Giriloyo Batik MSMEs fluctuates from year to year. GiriLoyo batik MSMEs also experience difficulties in regenerating batik makers; most of the batik makers are over 40 years old; sales do not rotate as fast as printed or stamped batik; there is a continuous increase in raw material prices; there is a lack of ability to adopt digital technology.

**Table 2** Business Performance Giriloyo Batik

No	Year	Sales
1	2018	approximately IDR 1.2 M
2	2019	approximately IDR 1.5 M
3	2020 / 2021	Under IDR 100 Million
4	2022	IDR 1.3 M

Source: Primary Data of Giriloyo Batik Association (2023)

To improve stable and sustainable business performance, it is necessary to strengthen supporting factors such as entrepreneurship leadership, competitive advantage, and dynamic capability [4]–[8]. Initial findings through field observations identified the need to strengthen the regeneration of batik makers, control

marketing strategies, manage raw materials, and adapt to digital technology. Therefore, this study aims to analyse the effect of entrepreneurship leadership on the business performance of Giriloyo Batik MSMEs by considering the mediating role of competitive advantage and dynamic capability.

Some of the findings of previous studies reveal the non-uniformity of research results regarding the influence of several variables on business performance. First, regarding the impact of entrepreneurial leadership, a study from researcher [4] concluded a positive relationship, while other findings [9] did not produce evidence of such influence. Secondly, concerning the effect of competitive advantage, previous studies [5] and [7] reported a significant effect, but another study [10] found no association between the two constructs. Third, regarding the influence of dynamic capabilities, the research of Abbas et al. and Correia et al. [11], [12] confirmed a positive relationship. At the same time, Baía and Ferreira [13] did not produce empirical evidence of the relationship.

Various previous studies show inconsistent results regarding the influence of entrepreneurial leadership variables, competitive advantage, and dynamic

capabilities on business performance. Some studies show a significant influence between these variables and business performance. However, other studies have found different results, where the three variables have no significant or negative effect on business performance. The inconsistency of these results indicates the need for further studies to obtain a more comprehensive understanding of the relationship between entrepreneurial leadership, competitive advantage, dynamic capabilities, and business performance. Future research is expected to develop knowledge by filling the existing gaps and contributing to the development of science in related fields. Thus, there are differences in the findings of previous studies regarding the effect of these three variables on business performance. Therefore, further research is needed to close this gap in understanding.

## 2. LITERATURE REVIEW

### 2.1 *Business Performance*

Business performance can be defined as the result of work or the level of achievement obtained by SMEs/MFIs in a certain period [14]–[17]. Nguyen et al. [18] distinguish two aspects of business performance: financial (measures of financial operations and value for money) and non-financial (brand reputation, customer satisfaction, organisational performance, and innovation). Kristinae et al. [19] emphasise business performance as a reflection of successful activities and profits supported by adequate resource management. Nuryakin et al. [20] measure business performance through sales turnover, number of buyers, profits, and sales growth. Rizal et al. [21] see it as the result of company activities influenced by internal and external factors in achieving goals. Sabihaini et al. [22] highlighted that financial performance is only one aspect

of overall business performance, and performance measurement becomes more accurate by involving multiple dimensions or metrics such as profitability, sales growth, competitiveness, and market share. This research aims to fill the knowledge gap on business performance by considering the variables of Entrepreneurship Leadership, Competitive Advantage, and Dynamic Capabilities.

### 2.2 *Effect of Entrepreneurship Leadership*

Entrepreneurship Leadership, as defined by Pauceanu et al. [23], is a form of leadership that focuses on organisational change, in contrast to leadership that aims to maintain the status quo. It requires a support system to form quality human resources and leaders who are creative, courageous, and able to implement strategic change. Other definitions, such as those described by Al Mamun et al., Phangestu et al., Purwati et al., Sawaeen & Ali, [24]–[27] emphasise that entrepreneurship leadership involves innovation, full engagement in work, ability to see and exploit opportunities distinctively. In conclusion, entrepreneurship leadership inspires through innovation, full engagement in work, and the ability to see and capitalise on opportunities in a distinctive and innovative way.

Entrepreneurial leadership is central to improving business performance by creating added value through innovation, innovation capacity development, employee motivation, and response to market challenges [28]. Studies, including research by Paudel [29], show a positive relationship between entrepreneurial leadership and business performance. Anggriani & Kistyanto's research [4]

concluded that entrepreneurial leadership positively impacts organisational performance and product innovation, while Kautsar et al. [30] showed that Entrepreneurship Leadership has a positive and significant effect on business performance. In the context of Competitive Advantage, Entrepreneurship Leadership can contribute through innovation development, market understanding, adaptation to change, and relationship building with business partners and customers. In addition, Entrepreneurship Leadership can also support the development of Dynamic Capability, the organisation's ability to respond to environmental changes quickly and flexibly. Thus, entrepreneurial leadership is essential in shaping superior business performance, Competitive Advantage, and Dynamic Capability. Therefore, the researcher took a hypothesis:

*H1: Entrepreneurship Leadership has a positive and significant effect on Business Performance.*

*H2: Entrepreneurship Leadership has a positive and significant effect on Competitive Advantage.*

*H3: Entrepreneurship Leadership has a positive and significant effect on Dynamic Capability.*

### **2.3 Effect of Competitive Advantage**

Competitive Advantage is a company with the ability to achieve higher performance through characteristics and resources than competitors in the same industry and market [31]. As described by Wijetunge [32], competitive strategy is an effort to find a profitable competitive position in an industry, with competitive Advantage achieved through resource utilisation and marketing strategy.

Resource utilisation and marketing strategy formulation can also help companies gain a competitive advantage [32]. Wijaya & Suasih [33] mentioned that competitive Advantage is when companies can provide more value to consumers. Aditi & Pentana [34] state that competitive Advantage involves the company's specific strengths in creating different products with lower prices than competitors. Zuhri & Susanto [35] added that competitive Advantage makes a good defence position against competitors. Thus, competitive Advantage is the Advantage gained by companies through strategies and products that provide added value and are different in competition.

Competitive Advantage is the ability of a company to achieve superior performance compared to its competitors in the market, becoming a crucial factor in improving business performance [36]. Research by Manurung et al., Setyawati & Rosiana [5], [7] shows that entrepreneurship and market orientation positively affect competitive Advantage and business performance. Competitive Advantage can mediate the influence of Entrepreneurship Leadership, help create added value, increase innovation, and build strong relationships with business partners and customers [37]. Thus, the researcher took the hypothesis:

*H4: Competitive Advantage has a positive and significant effect on Business Performance.*

*H6: Entrepreneurship Leadership has a positive and significant effect on Business Performance through Competitive Advantage.*

### **2.4 Effect of Dynamic Capability**

Dynamic Capability, according to Kristinae et al. [38], is the company's

ability to cope with environmental changes quickly through integration and reconfiguration of resources. Wamba et al. [39] see it as the process of using resources to match and even create changes to the market. Abbas et al. and Correia et al. [11], [12] see it as a pattern of stable learning in organisations to modify operational routines for increased effectiveness. Kurniawan et al. [40] define it as an organisation's capacity to create, maintain, or modify resources. Yi et al. [41] see it as an organisation's process of creating market change through resource acquisition, release, integration, or reorganisation. Eikelenboom & de Jong [42] call it the transformation process from knowledge into new capabilities. Dalle [43] sees it as the ability to seek, explore, acquire, assimilate, and apply knowledge about resources and opportunities. Thus, Dynamic Capability can be defined as a company's ability to deal with environmental changes through integration, reconfiguration, and reinvention of resources to capitalise on opportunities.

Dynamic Capability is an organisation's ability to manage internal resources quickly and flexibly in response to changes in the business environment [12]. In business performance, Dynamic Capability plays a crucial role in achieving competitive advantage and

improving company performance [44]. Research by Correia et al. [12] verified the mediating role of competitive advantage (differentiation and cost leadership) in the relationship between dynamic capabilities and business performance. At the same time, Baía & Ferreira [13] highlighted the indirect approach of Dynamic Capability, mainly causing change and intermediate outcomes. In this framework, Entrepreneurship Leadership can improve business performance through innovation, market understanding, adaptation to changes in the business environment, and building solid relationships with business partners and customers. However, the effect of Entrepreneurship Leadership on business performance may be mediated by Dynamic Capability, which results from entrepreneurial leadership to create added value and improve overall performance [45]. Thus, the researcher took the hypothesis:

*H5: Dynamic Capability has a positive and significant effect on Business Performance.*

*H7: Entrepreneurship Leadership has a positive and significant effect on Business Performance through Dynamic Capability.*

The empirical model can be depicted in (Figure 2) based on theoretical analysis and the results of previous studies that have been described.

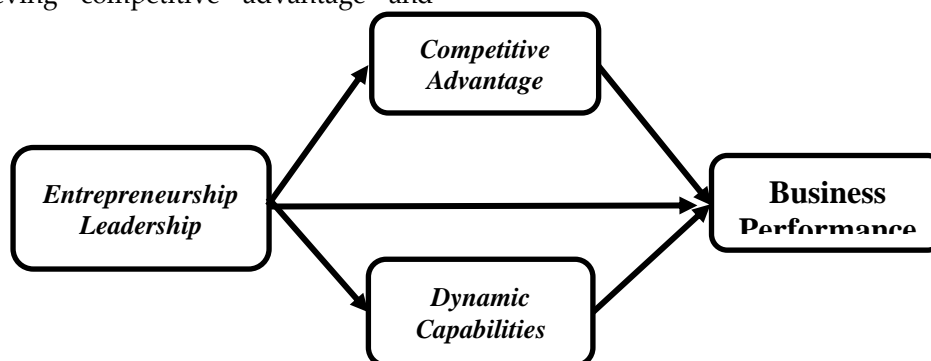


Figure 1. Conceptual Framework

### 3. METHODS

This type of research is quantitative, emphasising testing theories through measuring research variables with numbers to test hypotheses. This research is designed using the causality method. The causality method is intended to explain the existence of a cause-effect or influence and influence relationship between several concepts or variables under study [46].

The research design used is a case study with the research subject of UMKM Batik Giriloyo in Wukirsari Village, Bantul, Yogyakarta. The object of this research was conducted from October 2023 to January 2024. The population of this study were all 328 Giriloyo Batik MSME players. The sampling technique used cluster sampling to obtain a sample of 80 respondents. The data collection technique used a questionnaire containing statements about the research variables. The data were analysed using descriptive statistical analysis and quantitative analysis with the help of SmartPLS 3.2.9 software.

The questionnaire used in this study consists of four variables measured by 11

indicators. All measurement items were adopted from the literature on entrepreneurship leadership, competitive advantage, dynamic capability, and business performance. Entrepreneurship leadership indicators include proactivity, vision, and innovation adopted from previous research [47]. Competitive advantage indicators adopted from the last research include delivery, product innovation, and time to market [32]. Dynamic capability indicators combine capability and learning capacity adopted from previous studies [11]. Then, business performance indicators consist of sales growth, market share growth, and overall performance level. All items are evaluated with a five-point Likert scale, from "strongly disagree (1)" to "strongly agree (5)".

In this study, "Entrepreneurship Leadership" is the independent variable (X), while "Competitive Advantage" and "Dynamic Capability" act as mediating variables (Z), and "Business Performance" is the dependent variable (Y). More information is in Table 3:

**Table 3**  
**Operational Definitions and Variable Indicators**

Variable	Definition Variable	Indicator	Scale
<b>Business Performance</b>	Business performance is the level of achievement obtained by SMEs in the last period.	1. Asset growth 2. Profit growth, 3. Sales growth 4. Market Share Growth 5. Overall performance level <b>Source:</b> [22], [48]-[50]	Skala Likert 5 Point
<b>Entrepreneurship Leadership</b>	The ability to see opportunities, dare to make decisions, manage risks, and utilise all resources owned.	1. risk-taking 2. proactive 3. visionary 4. innovation 5. Aggressiveness <b>Sumber:</b> [47]	Skala Likert 5 Point
<b>Competitive Advantage</b>	Competitive advantage is an advantage in competing by implementing strategies and products with different values.	1. Price/cost, 2. Quality, 3. Delivery, 4. Dependability, 5. Product innovation, 6. Time to market <b>Source:</b> [32]	Skala Likert 5 Point
<b>Dynamic Capability</b>	Dynamic Capability is the ability to deal with dynamic environmental changes by creating, integrating and	1. Combining capability, 2. Learning capacity, 3. Reconfiguration capability	Skala Likert 5 Point

reconfiguring resources owned in utilising opportunities.. 4. Alliance management capability.

Source: [11]

Convergent validity is measured through the outer loading value on latent variables with related indicators. A correlation value greater than 0.70 is considered good at this research stage. The "Entrepreneurship Leadership" variable displays a loading value that fluctuates between a minimum of 0.723 and a maximum of 0.849. The "Competitive Advantage" variable indicates a loading value that

fluctuates between a minimum of 0.749 and a maximum of 0.804. The loading value of the "Dynamic Capability" variable ranges from a minimum of 0.806 to a maximum of 0.854. Finally, the variable "Business Performance" ranges from the lowest loading value of 0.828 to the highest value of 0.911. These results indicate no need to eliminate the indicators that assess each variable, as they fulfil the convergent validity criteria (see Table 4).

**Convergent Validity Testing**

**Table 4** Convergent Validity Testing Results

Variable	Item	Loading Factor	AVE
<i>Entrepreneurship Leadership (EL)</i>	Leaders are quick to respond to changes that occur.	0,819	0,663
	Leaders are quick to take advantage of existing business opportunities (pick up the ball).	0,849	
	Leaders have a picture of their business in the future.	0,849	
	Leaders are able to communicate about their business to others.	0,825	
	Leaders often make ideas - new ideas	0,723	
<i>Competitive Advantage (CA)</i>	Delivery of orders to customers is faster than competitors.	0,749	0,588
	Our company brings new products to market earlier than competitors.	0,756	
	The company develops new ideas faster than competitors.	0,758	
	The company develops products/services faster than competitors.	0,804	
<i>Dynamic Capability (DC)</i>	The company is able to find out new information in optimising the potential of its resources.	0,806	0,683
	The company is highly adaptable to rapid changes in the business environment.	0,819	
	The company is able to develop capabilities through the learning process and skill/expertise development.	0,854	
Business Performance (BP/KB)	Sales growth rate	0,828	0,751
	Market share growth rate	0,859	
	Overall performance level	0,911	

**Table 5.** Discriminant Validity Results

Variables	CA	DC	EL	BP/KB
Competitive Advantage	0,767			
Dynamic Capability	0,426	0,826		
Entrepreneurship Leadership	0,525	0,515	0,814	
Business Performance	0,264	0,100	0,207	0,867

This study does not have discriminant validity problems because the square root

value of the AVE is greater than the correlation with other constructs. (Table 5)

**Table 6 Composite reliability**

Variabel	Cronbach's Alpha	Composite reliability
<i>Entrepreneurship Leadership</i>	0,872	0,907
<i>Competitive Advantage</i>	0,769	0,851
<i>Dynamic Capability</i>	0,780	0,866
<i>Business Performance</i>	0,849	0,900

In confirmatory research, Composite reliability and Cronbach's alpha values greater than 0.70 are used to strengthen the reliability test results. In contrast, in

exploratory research, Composite reliability and Cronbach's alpha values in the range of 0.60 to 0.70 are still considered acceptable.[51]

**Table 7 R Square**

	R Square	R Square Adjusted
<i>Competitive Advantage</i>	0,275	0,266
<i>Dynamic Capability</i>	0,265	0,256
<i>Business Performance</i>	0,078	0,042

The data in Table 7 shows that the R-squared value of the competitive advantage variable, about 27.5% of the variance, is the entrepreneurship leadership variable. In comparison, the remaining 72.5% is related to external variables or factors not examined in this study. The dynamic capability variable is 26.5%, indicating that the entrepreneurship leadership variable can explain 26.5% of its variation. The remaining 73.5% is influenced by other variables or factors not examined in this study. Similarly, the business performance variable shows an explanation of 0.078% through the entrepreneurship leadership variable, so the remaining 99.922% is influenced by other variables or factors outside the scope of this study. In addition, in this study, the Q-square value of  $0.750 > 0$  indicates that the observed values have been well reconstructed and have predictive relevance [51]–[53].

In this study, the characteristics of the 80 respondents involved can be explained through data analysis, which includes age range, gender, latest education, and length of service. Based on the age of the respondents, the majority of the respondents were in the age category 41-50 years (30.0%) and above 51 years (37.5%). The respondents' gender is dominated by women, reaching 93.8% of the total respondents. Regarding the latest education, most respondents have a high school/vocational school education level (43.8%), followed by respondents with a junior high school education level (36.3%). Meanwhile, the respondents' tenure distribution shows that most have worked for more than 15 years (45.0%). Overall, Table 8 provides a comprehensive overview of the demographic characteristics and employment background of the Giriloyo Batik MSME research respondents. (Table 8)

**4. RESULTS AND DISCUSSION**

**Table 8 Characteristics of Respondents**

Characteristics	Category	Percentage	Respondents (n = 80)
Age of Respondent (years)	≤ 20 years	0 %	0
	21 - 30 years	10,0 %	8
	31 - 40 years	22,5 %	18



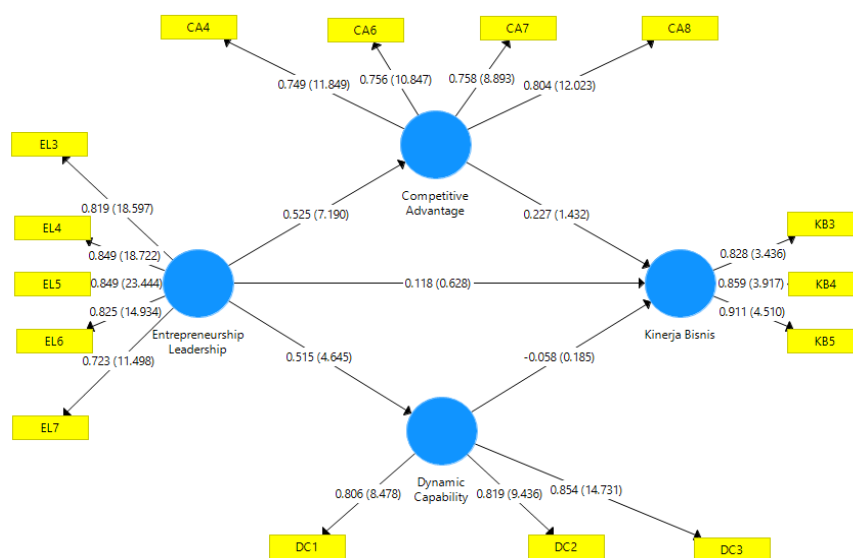
	41 - 50 years	30,0 %	24
	> 51 years	37,5 %	30
Gender of Respondents	Male	6,3 %	5
	Female	93,8 %	75
Respondent's Last Education	Elementary School	7,5 %	6
	Junior High School	36,3 %	29
	Senior High School/Vocational High School	43,8 %	35
	Diplomas	2,5 %	2
	Bachelors	10,0 %	8
	Masters	0 %	0
Respondent's tenure	< 5 years	5,0 %	4
	5 - 10 years	18,8 %	15
	10 - 15 years	31,3 %	25
	> 15 years	45,0 %	36

In Table 9, the N value or the amount of data examined in this study is 80 respondents. The results of descriptive statistics have a minimum value of 1.00 and a maximum value of 5.00, which means that more respondents answered questions with

the highest score on the questionnaire items regarding entrepreneurship leadership. This can be seen from the mean value of the EL variable of 4.2702.

**Table 9.** Descriptive Statistical Test

Variables	N	Min	Max	Mean	Std. Dev.
Entrepreneurship Leadership	80	2,80	5,00	4,2702	0,5548
Competitive Advantage	80	1,00	4,67	3,2463	0,6790
Dynamic Capability	80	2,75	5,00	3,9187	0,6682
Business Performance	80	2,00	5,00	4,1047	0,5973
Valid N ( <i>listwise</i> )	80				



**Figure 2** Path Coefficient Results

Based on Figure 2, it is explained that the most significant path efficiency value is shown by the effect of entrepreneurship leadership on competitive advantage, with a

value of 7.190. The impact of dynamic capability on business performance of 0.185 offers the tiniest path coefficient value.

**Table 10** Bootstrapping Results Direct Effect

Path	Original Sample (O)	T Statistics ( O/STDEV )	P Values	Result	Hypothesis
EL -> KB	0,118	0,628	<b>0,530</b>	Not Significant	<b>Rejected</b>
EL -> CA	0,525	7,190	<b>0,000</b>	Significant	<b>Accepted</b>
EL -> DC	0,515	4,645	<b>0,000</b>	Significant	<b>Accepted</b>
CA -> BP/KB	0,227	1,432	<b>0,153</b>	Not Significant	<b>Rejected</b>
DC -> BP/KB	-0,058	0,185	<b>0,853</b>	Not Significant	<b>Rejected</b>

Table 10 and Figure 2 show that entrepreneurship leadership has a positive and insignificant effect on business performance. However, entrepreneurship leadership positively and significantly affects competitive advantage and dynamic capability. Competitive advantage has a positive impact, but little effect on business performance, and dynamic capability has no

effect and is insignificant on business performance. Table 11, on the other hand, shows that competitive advantage and dynamic capability have no role as mediators (No-Effect non-mediation) in the effect of entrepreneurship leadership on business performance, which means that the direct and indirect effects are both insignificant.

**Table 11** Bootstrapping Results Indirect Effect

Path	Original Sample (O)	T Statistics ( O/STDEV )	P Values	Result	Hypothesis
EL -> CA -> BP/KB	0,119	1,314	<b>0,190</b>	Not Significant	<b>Rejected</b>
EL -> DC -> BP/KB	-0,030	0,176	<b>0,860</b>	Not Significant	<b>Rejected</b>

#### 4.1 The Effect of Entrepreneurship Leadership on Business Performance

The coefficient value of entrepreneurship leadership on business performance is 0.118 (positive), with a p-value of 0.530, which is greater than 0.05 and a t-statistic value of 0.628 (<1.96). This shows that entrepreneurship leadership has a positive but insignificant effect on the business performance of Giriloyo Batik MSMEs.

These results indicate that the entrepreneurship leadership of Giriloyo Batik MSMEs does not affect the business performance of Giriloyo Batik. Entrepreneurship leadership of Giriloyo Batik MSMEs is not a variable that can improve MSME business performance. The statistical test results show that leadership only has a positive but insignificant effect on business performance, which is still considered

adequate, especially sales growth and market share.

Although leaders are considered quick to respond to changes, take advantage of opportunities, and be creative in developing ideas, this has yet to have the maximum impact on improving business performance. Therefore, other efforts such as product innovation, quality improvement, and more aggressive marketing are needed to improve the sales performance and market share of Giriloyo Batik MSMEs. In addition, there is a need for creation by designing batik motifs that are more varied and attractive to consumers. Another effort is to improve product quality and set competitive prices. MSMEs can also participate in product exhibitions to expand market access. It is also essential to provide regular sales promotions and customer loyalty programmes. Social

media needs to be optimised as a digital marketing tool. Implementing these strategies is expected to improve the sales performance and market share of Giriloyo Batik MSMEs. This study's results align with the research conducted by Nguyen et al. [18], which states that entrepreneurship leadership does not affect business performance. However, it differs from the results of research conducted by Abbas et al. [11], which says that entrepreneurial business networks have a significant positive relationship with dynamic capabilities, which in turn shows a positive relationship to the sustainable performance of small firms. The results of this study still need to be consistent to allow future researchers to conduct further research.

#### ***4.2 The Effect of Entrepreneurship Leadership on Competitive Advantage***

Based on the results of statistical tests, support for this hypothesis can be seen from several indicators, as seen from the original sample coefficient estimate of the entrepreneurship leadership variable on the competitive advantage variable, which produces a value of 0.525. This coefficient value is positive, meaning there is a positive variable influence. Furthermore, the resulting t-statistic value of 7.190 is greater than the t-table value  $> 1.96$  at a significant level of 0.05. Based on these indicators, hypothesis H2, which states that entrepreneurship leadership positively and significantly affects competitive advantage among Giriloyo Batik MSMEs, is accepted.

Leaders' leadership in responding to change, capitalizing on opportunities, communicating business, and being creative with new ideas positively affects the company's ability to compete with fast delivery, product innovation, and new idea development.

This finding has implications for several aspects of enterprise development. First, MSMEs must maintain leadership quality to continue to innovate in managing the business. Second, development should focus on the speed of responding to customers and price competitiveness. Third, it is necessary to increase human resources'

capabilities in leadership and marketing. In addition, MSMEs need to formulate long-term strategies based on excellence. Implications also relate to continued support from government and other stakeholders for training, marketing and funding MSME development. The findings can also be aggregated to similar MSMEs to improve competitiveness. By understanding these implications, the development of Giriloyo Batik MSMEs is expected to be more focused and sustainable.

This study's results align with the results of research conducted by Alhalalmeh et al. and Cholifah [54], [55] which state that entrepreneurship leadership has a positive and significant effect on competitive advantage.

#### ***4.3 The Effect of Entrepreneurial Leadership on Dynamic Capability***

Based on the results of statistical testing conducted, the original sample coefficient estimate of the entrepreneurship leadership variable on dynamic capability produces a value of 0.515. This value is positive, thus indicating a positive influence of the entrepreneurship leadership variable on dynamic capability. In addition, the calculated t-statistic value of 4.645 is greater than the t-table value of 1.96 at the 0.05 significant level. This shows that the effect of entrepreneurship leadership on dynamic capability is statistically significant. Other support comes from the significance value (p-value), 0.000 less than alpha 0.05.

Thus, based on these indicators, namely the positive estimation coefficient, t-statistic greater than the t-table, and p-value more minor than the significant level, it can be concluded that hypothesis H3, which states that entrepreneurship leadership has a positive and significant effect on dynamic capability in Giriloyo Batik MSMEs is proven. The research shows that leadership positively affects the dynamic capability of Giriloyo Batik MSMEs to learn and adapt. This has important implications for enterprise development. MSMEs must maintain leadership quality to encourage innovation, collaboration synergy and continuous

learning to develop new advantages. It also needs an environmental monitoring strategy and reliable human resource development to improve the organization's learning capability. Resource allocation also needs to be flexible to adjust to developments. Government support is required in building the dynamic capabilities of MSMEs. These findings provide input for MSMEs to improve competitiveness, collaborate and synergize in this digital era. By understanding these implications, it is expected that Giriloyo Batik MSMEs will be able to adapt continuously to face future business challenges.

The results of this study align with the results of research conducted by Abbas et al. [11], which states that entrepreneurship leadership has a positive and significant effect on dynamic capability.

#### *4.4 The Effect of Competitive Advantage on Business Performance*

The analysis shows that competitive advantage has yet to support Giriloyo Batik MSMEs' business performance fully. This finding provides important implications for the preparation of its future development strategy. Strengthening marketing and sales strategies is necessary to improve sales performance and market share. It also needs to enhance cooperation with various stakeholders to expand market access. In addition, there needs to be product innovation that suits market tastes and competitive prices to increase competitiveness. The development of more effective distribution networks and sales channels is also essential. MSMEs need to map their strengths and weaknesses and adjust to industry challenges. Operational and financial management needs to be improved to support business growth. A focus on improving customer satisfaction is critical. By paying attention to these implications, it is expected that the development of MSME strategies will be more focused and support business performance.

This study's results differ from the research conducted by Hidayat et al. and Setyawati & Rosiana [7], [37] which state that competitive advantage positively and

significantly affects business performance. The results of this study still need to be consistent to allow future researchers to conduct further research.

#### *4.5 Effect of Dynamic Capability on Business Performance*

The results indicate that the dynamic capabilities of Giriloyo Batik MSMEs have yet to be able to drive business performance fully. For this reason, various strengthening measures need to be taken. First, it must increase sales volume by developing new markets and market shares. Second, it needs to conduct synergy and collaboration continuously by involving customer input. The third step is encouraging increased productivity and efficiency of all business processes.

Furthermore, it is necessary to strengthen the brand and brand image in customers' eyes. Improving service quality and optimising financial management to support business expansion is also important. Developing strategic partnerships and implementing technology systems to support the business is also necessary. Finally, it is essential to improve the competence of human resources continuously. By implementing these various steps, the business performance of Giriloyo Batik MSMEs is expected to improve continuously. Implementing strategic cooperation and technology systems is expected to provide various benefits for the business development of Giriloyo Batik MSMEs. Cooperation with multiple parties will expand the distribution network and accessible markets. MSMEs will also get resource support and funding for business development. Meanwhile, applying technology systems is expected to increase the productivity and efficiency of business processes.

The results of this study are not in line with the results of research conducted by Baía & Ferreira, and Ridwan [13], [45], which state that dynamic capability has a positive and significant effect on business performance. The results of this study are still inconsistent, so it can allow future researchers to conduct further research.

#### *4.6 Competitive Advantage mediates the effect of Entrepreneurship Leadership on Business Performance*

The test results show that competitive advantage cannot be a mediator variable between entrepreneurship leadership and business performance in these MSMEs. This indicates that the ability of MSMEs to achieve competitive advantage has yet to support the influence of leadership on performance fully. Therefore, it is necessary to strengthen the various core components of competitive advantage to play a more optimal role.

To strengthen its competitive advantage, Giriloyo Batik MSMEs need to implement various strategies in an integrated manner. Product innovation must be continuously conducted by involving customer input to increase added value and consumer loyalty. Product and service quality must also be improved consistently to make the company superior. In addition, supply chain management needs to be optimized to speed up the distribution of goods and reduce costs incurred.

Competitive pricing strategies and strong brand development are crucial to building excellence. MSMEs must also improve their operational excellence with business automation that supports business scalability. Customer shopping experience needs to be created by providing satisfaction. Continuous efforts to improve the quality of human resources are also essential to support innovation. Complementary strategic cooperation can create synergy in realizing competitiveness. By implementing these various strategies thoroughly, it is expected that the competitive advantage of MSMEs can continue to be improved.

In addition, existing entrepreneurial leadership has yet to be fully supported by operational excellence, innovation and resources. It is necessary to evaluate and strengthen the core capabilities of MSMEs to improve their contribution to performance. The management of MSMEs also needs to emphasize achieving and utilizing their advantages through more targeted strategies and synergies. By paying attention to these

various implications, the performance of MSMEs can be continuously improved.

The results of this study are not in line with the results of research conducted by Alhalalmeh et al.; Cholifah [54], [55] which state that entrepreneurship leadership has a positive and significant effect on competitive advantage and Setyawati & Rosiana [7] which say competitive advantage as a mediating influence of market orientation on business performance. The results of this study still need to be consistent to allow future researchers to conduct further research.

#### *4.7 Dynamic Capability mediates the effect of Entrepreneurship Leadership on Business Performance*

The rejection of the dynamic capability mediation hypothesis on the effect of entrepreneurship leadership on the business performance of Giriloyo Batik MSMEs has important implications for their future business development. This indicates that the ability of MSMEs to have dynamic capabilities such as learning, adapting, and utilizing opportunities has yet to play an optimal role as a connecting variable. Entrepreneurial leadership is considered reasonable by respondents. For this reason, it is necessary to strengthen the components of dynamic capability and develop the ability to anticipate and regenerate their business capabilities. Evaluation of the learning process, human resource development, and innovation is critical to improve sustainable competitiveness. The management of MSMEs also needs to focus on increasing dynamic capability to support future business growth.

By paying attention to these various implications, MSMEs are expected to be able to adapt to existing business developments. Batik Giriloyo MSMEs must make various efforts to improve their dynamic capability to support future business growth. One thing that can be done is always to innovate products through regular market research and involve customer input. In addition, improving the capability of human resources through structured training and workshops needs to be done to encourage a continuous learning process. Fostering a learning culture

in the organization can also support knowledge sharing among batik makers. The knowledge management system implemented can manage knowledge to be utilized optimally. MSMEs must also be responsive to environmental changes and customer needs. In addition, continuous improvement of business processes can increase efficiency. Cooperation networks built with various parties are expected to improve dynamic capability through shared learning and knowledge mutually.

The results of this study are not in line with the results of research conducted by Abbas et al., Baía & Ferreira, and Ridwan [11], [13], [45] which state that dynamic capability plays a mediating role between the influence of entrepreneurship leadership on business performance. The results of this study are still inconsistent, so it could allow future researchers to conduct further research.

## 5. CONCLUSIONS

Based on the analysis and discussion that has been carried out, it can be concluded that UMKM Batik Giriloyo: Entrepreneurship Leadership has a positive but insignificant influence on Business Performance. Meanwhile, Entrepreneurship Leadership positively and significantly affects Competitive Advantage and Dynamic Capability. Competitive Advantage has a positive but insignificant effect on Business Performance, while Dynamic Capability has a negative and little impact on Business Performance.

Entrepreneurship leadership of Giriloyo Batik MSMEs has a positive but insignificant effect on business performance. Sales growth and market share are still low even though leaders are responsive, seize opportunities, and are creative in ideas. Quality improvement and aggressive marketing are needed to improve the sales performance and market share of Giriloyo Batik MSMEs.

This study's results align with the research of Nguyen et al. [18], which states that entrepreneurship leadership has no

significant effect on business performance; however, in contrast to the study of Abbas et al. [11], who found a meaningful positive relationship between entrepreneurial business networks and dynamic capabilities, which contribute to the sustainable performance of small firms. This study shows the inconsistency of results, thus allowing future researchers to conduct further research.

Responsive leadership, seizing opportunities, communication, and creativity have positively affected the firm's ability to compete, product innovation, and new idea development. The implication is that MSMEs must maintain leadership quality, focus on customer response, collaborate and synergize, price competitiveness, and improve HR capabilities in leadership and marketing. Long-term strategies based on excellence and continued support from government and other stakeholders are needed. These findings can be applied to similar MSMEs to improve competitiveness. This study's results align with the results of research conducted by Alhalalmeh et al. and Cholifah [54], [55] which state that entrepreneurship leadership has a positive and significant effect on competitive advantage.

Giriloyo Batik MSMEs' competitive advantage has yet to support business performance fully. The implication is the need to strengthen marketing strategies, stakeholder cooperation, competitive pricing, effective distribution networks, and improved operational and financial management. Focus on customer satisfaction is essential. The results of this study are inconsistent with previous studies [7] and [37], which show a positive and significant relationship between competitive advantage and business performance. Further research is needed to understand this further. In addition, there is no mediation between entrepreneurship leadership and business performance through competitive advantage or dynamic capability in Giriloyo Batik MSMEs.

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## BIOGRAPHIES OF AUTHORS

	<p>   Dra. Deden Rokhanawati. Associate Expert Policy Analyst at DPMPSTP DIY. Undergraduate education was obtained from Universitas Proklamasi 45 Yogyakarta at the Faculty of Social and Political Sciences with a Doctoral degree (Dra). Email: <a href="mailto:dedenrokhana@gmail.com">dedenrokhana@gmail.com</a></p>
	<p>   Dr. Sabihaini, SE., M.Si., CIIQA., CRP., CPM are AMI Auditors and Higher Education BKD Internal Assessors. He earned a Bachelor of Economics degree from Universitas Krisnadwipayana Jakarta Indonesia with a Bachelor of Management (S.E) degree, a Master of Management Postgraduate Program from Universitas Gadjah Mada Yogyakarta Indonesia with a Bachelor Degree (M.Sc), Doctor of Management Science Program (PDIM) from the Faculty of Economics and Business, Universitas Brawijaya with the title (Dr.). His research interests include corporate and competitive strategy, strategic management, organizational design, supply chain management, marketing, environmental and social responsibility, and social science and information technology research. WA +62 812-2747-572 Scopus ID: 57195602111 ORCID: <a href="https://orcid.org/0000-0003-4238-9053">https://orcid.org/0000-0003-4238-9053</a> Email: <a href="mailto:sabihaini@upnyk.ac.id">sabihaini@upnyk.ac.id</a></p>
	<p>   Dr. R. Heru Kristanto, HC, SE, M.Si. is a permanent lecturer with the functional title of Lector Senior at FE UPN "Veteran" YK. The courses taught include Financial Management, Strategic Management, Management Information Systems, Start-Up Business, and Entrepreneurship. In addition to teaching, he has also served as the Coordinator of the Entrepreneurship Laboratory from 2006 to 2009, Vice Dean 1 of Student Affairs at FEB UPN Veteran Yogyakarta from 2009 to 2014, and Head of the Department of Management at FEB UPN Veteran Yogyakarta from 2020 to 2024. Email: <a href="mailto:heru_kris2010@yahoo.com">heru_kris2010@yahoo.com</a></p>