



Enhancing competitiveness of Muslim clothing SMEs through entrepreneurial orientation and product innovation

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Abstract

Purpose – This study aims to explore the relationships between entrepreneurial orientation (EO), market orientation, product innovation, and competitive advantage within Muslim clothing SMEs. This study provides insights into how these factors interact and contribute to the overall success of these enterprises.

Methodology – This quantitative study explores the relationships between entrepreneurial orientation, market orientation, product innovation, and competitive advantage in the Muslim clothing industry. Using a proportional sample of 103 employees from Muslim clothing SMEs in East Java, data were collected through a five-point Likert-scale questionnaire and analyzed via multiple regression to assess direct and mediating effects.

Findings – The key findings reveal that entrepreneurial orientation positively impacts product innovation, indicating that entrepreneurial companies are more innovative. Additionally, EO significantly influences market orientation, making firms more responsive to their market needs. EO enhances competitive advantage, whereas market orientation negatively impacts it, suggesting that excessive focus on the market may hinder differentiation. Conversely, product innovation positively affects a firm's competitive advantage. The study finds that market orientation does not mediate the relationship between EO and competitive advantage, whereas product innovation does.

Implications – These findings provide practical insights for SMEs in the Muslim clothing industry. Companies should cultivate entrepreneurial orientation to boost innovation and competitive advantage, balancing market orientation to avoid stifling differentiation.

Originality – This study contributes to the literature by investigating the intricate relationships between EO, market orientation, product innovation, and competitive advantage in Muslim Clothing SMEs, emphasizing the mediating role of product innovation.

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Introduction

Small and medium enterprise (SMEs) Muslim Clothing in East Java plays an important role in the local and national economy. According to Syamsuri (2024) research on optimizing the potential of domestic

small businesses case in Indonesia which highlights management and skills, SMEs are the largest part of the economic sector even though there are disparities. Pham et al. (2024) analyzed economic performance and the distribution of added value in the value chain in Vietnam and showed that small industries such as textiles and leather footwear play a crucial role in creating jobs and supporting regional income. In addition, Liu and Wang (2022) showed that companies' adoption of digital technology contributes significantly to increasing the scale of exports.

However, Muslim Clothing SMEs in East Java are facing various challenges. Fierce competition from local, national, and international producers as well as imported products that are often more affordable are major obstacles. Research by Mahrinasari et al. (2024) regarding local wisdom and the role of government in strengthening the competitive advantage of the creative industry revealed that SMEs often experience obstacles such as low access to available data. Additionally, SMEs must overcome the challenges of access to technology, resources for research and development, access to capital, and limitations in distribution and promotion networks. Research by Obadia and Vida (2024) highlights two indirect effects through the branding advantage and low-cost advantage of large companies with global brands. Other challenges include gaps in education and technology, as identified by Mer and Viridi (2024).

SMEs need to innovate and adapt to rapidly changing market dynamics. Jin et al. (2022) show that business model innovation and technology adoption can increase the competitiveness. Additionally, research by Ritala et al. (2022) shows that digitalization of knowledge can increase the ability to accept innovation and face change. Entrepreneurial orientation, which includes the ability to create new ideas, take risks, and innovate, is a key factor in facing these challenges.

This study proposes an under-researched relationship between entrepreneurial orientation, market orientation, product innovation, and competitive advantage in the context of Muslim Clothing SMEs in East Java. Focusing on the mediating role of market orientation and product innovation in the relationship between entrepreneurial orientation and competitive advantage provides a new contribution that can help companies to understand the mechanisms of increasing their competitiveness through innovation and market orientation.

This study investigates the relationships between entrepreneurial orientation, market orientation, product innovation, and competitive advantage in Muslim Clothing SMEs in East Java. Specifically, this study explores the extent to which market orientation influences SMEs' ability to innovate, and how entrepreneurial orientation helps facilitate the innovation process and respond to dynamic market challenges. This study also empirically tests the mediating role of market orientation and product innovation in the relationship between entrepreneurial orientation and competitive advantage.

Previous research has extensively explored the relationships between entrepreneurial orientation, market orientation, product innovation, and competitive advantage. Studies generally suggest that entrepreneurial orientation positively influences product innovation, enabling firms to develop new products through a proactive risk-taking approach (Anofa et al., 2022; Liu & Wang, 2022). Similarly, entrepreneurial orientation has been linked to market orientation, as entrepreneurial firms often adapt to market needs (Liu et al., 2022). However, some research indicates that a strong entrepreneurial orientation might overshadow market-driven strategies, especially if they are not well balanced (Kakeesh et al., 2024). The connection between entrepreneurial orientation and competitive advantage is well documented, yet its strength can depend on factors such as industry type and organizational capabilities (Liu & Wang, 2022; Hsu et al., 2020).

Market orientation has also been found to directly enhance competitive advantage by aligning product offerings with customer needs (Slater & Narver 2000). Nevertheless, some studies argue that excessive focus on customer needs can hinder innovation (Andrade-Rojas et al., 2024). Product innovation contributes significantly to competitive advantage through differentiation, although this effect sometimes depends on the market's readiness to adopt new products (Beraha et al., 2018).

Additionally, the role of market orientation and product innovation as mediators in the relationship between entrepreneurial orientation and competitive advantage remains debated.

Some studies indicate that they enhance this relationship (Zhao et al., 2023; Liu & Wang, 2022), while others suggest that market orientation might restrict the innovative aspects of entrepreneurial orientation (Han & Niu, 2022). This study addresses these mixed findings by analyzing these relationships within Muslim Clothing SMEs, offering a unique perspective in a healthcare setting that has been less explored. By doing so, it aims to clarify how these strategic orientations interact to achieve a competitive advantage, specifically considering the values and market conditions of Muslim Clothing SMEs in East Java.

Literature Review

According to Danny and Utama (2020), individuals with entrepreneurial attitudes tend to be more creative, proactive, and willing to take risks when starting or running a business. The qualities and beliefs possessed by entrepreneurs, such as never giving up, willingness to take calculated opportunities, quick thinking, and ability to adapt, are what determine entrepreneurial orientation (Danny & Utama, 2020; Sari & Farida, 2020) also stated that entrepreneurial orientation is a very important ability for entrepreneurs to achieve success and contributes greatly to the company's performance and resilience. Entrepreneurial orientation can be measured using three main indicators: innovation, proactiveness, and courage to take risks (Chandra et al., 2017; Purnama, 2020; Rahmah & Fatmah, 2019). These indicators include product development, technology adoption, innovative marketing, investment courage, market exploration, innovation vision, partnerships, speed, and flexibility.

According to Dedy and Soelaiman (2023), market orientation is one of the main goals of MSME players to increase their skills in applying various marketing methods to develop their business. Market orientation highlights the need for companies to coordinate marketing initiatives focused on customer satisfaction, ensuring the achievement of company goals in the long term (Sefanya & Ie, 2024). Market orientation indicators include customer orientation, competitor orientation, and cross-functional coordination (Sari & Farida, 2020). Navarro-García et al. (2024) added that market orientation places consumers as the main focus of company activities, with indicators such as market research, market segmentation, loyalty programs, quality, responsiveness, adaptability, communication strategy, and product differentiation.

Product innovation, as stated by Pham et al. (2024), is the introduction of new products on the market that use different technologies and offer high benefits to consumers compared to existing products. Huang (2023) explained that sustainable innovation in a company is a basic need, which in turn leads to the creation of a competitive advantage. Product innovation indicators include uniqueness, originality of design, innovative materials, technology adoption, efficiency, implementation, media use, and distribution channels.

A competitive advantage is the ability of a business to create better value or profits for customers compared to competitors, so that the business can control a market that is already developing (Puspaningrum, 2020). A competitive advantage can be seen in product uniqueness, product quality, and competitive product prices (Gotteland et al., 2020). Understanding competitive advantage requires a comprehensive picture of business and competitor advantages, because these advantages come from a variety of different activities, such as products, markets, and service quality (Puspaningrum, 2020). The competitive advantage indicators include product innovation, product quality, operational efficiency, marketing strategy, customer service, reputation building, and flexibility.

Similarly, research has explored the influence of entrepreneurial orientation on product innovation (Danny & Utama, 2020; Sari & Farida, 2020). They found that individuals with an entrepreneurial mindset tend to exhibit creativity, proactivity, and willingness to take risks, which fosters innovation in developing new products or enhancing existing ones. In line with this, that entrepreneurial orientation also significantly impacts market orientation, enabling firms with strong entrepreneurial traits to better understand and address customer needs effectively (Dedy & Soelaiman, 2023; Sefanya & Ie, 2024). Furthermore, entrepreneurial orientation plays a critical role in competitive advantage, with proactive and innovative behaviors acting as the key drivers for achieving such an advantage (Puspaningrum, 2020; Sari & Farida, 2020).

Research has confirmed that market orientation significantly influences competitive advantage (Abbu & Gopalakrishna, 2021; Manzano-García & Ayala-Calvo, 2020). Their findings suggest that a comprehensive understanding of market dynamics is vital for firms to gain and sustain their competitive edge. Similarly, emphasizes that continuous product innovation is a significant contributor to maintaining competitive advantage (Pham et al., 2024).

Additionally, highlight that entrepreneurial orientation influences competitive advantage through the mediation of both market orientation and product innovation (Šlogar et al., 2023; Manigandan & Raghuram, 2024; Ataei et al., 2024). Their research suggests that entrepreneurial orientation enhances competitive advantage by fostering a market-driven approach and continuous innovation, which collectively leads to sustainable success. This highlights the importance of understanding the interplay between these factors in achieving and maintaining competitive advantage in today's business environment.

Based on a deep understanding of the existing literature, seven main hypotheses can be formulated to test the entrepreneurial orientation, market orientation, product innovation, and competitive advantage. The five hypotheses formulated from the literature review are as follows.

H₁: Entrepreneurial orientation has a significant effect on product innovation.

H₂: Entrepreneurial orientation has a significant effect on orientation.

H₃: Entrepreneurial orientation has a significant effect on competitive advantage.

H₄: Market orientation have a positive effect on competitive advantage.

H₅: Product innovation has a significant influence on competitive advantage,

By testing this hypothesis, this research aims to provide strategic insights for Muslim clothing SMEs in East Java to achieve and maintain a competitive advantage in a competitive market. The conceptual framework of this study is shown in Figure 1.

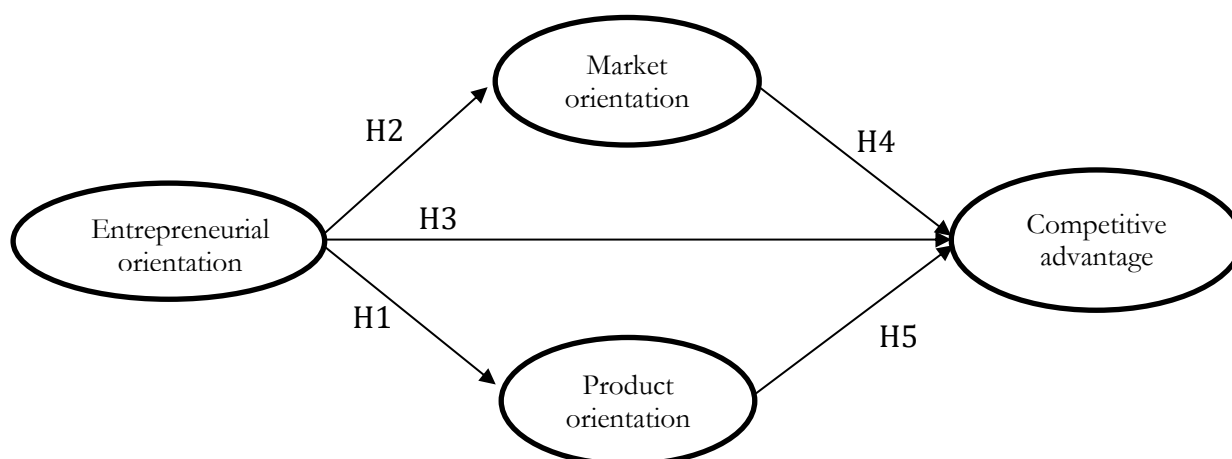


Figure 1. Research Conceptual Framework

Source: Figure by authors

Research Methods

This study adopts an explanatory approach to explore the relationships among entrepreneurial orientation, product innovation, market orientation, and competitive advantage in Muslim Clothing SMEs. The objectives of this study are to analyze: (1) the effect of entrepreneurial orientation on product innovation, (2) the effect of entrepreneurial orientation on market orientation, (3) the effect of entrepreneurial orientation on competitive advantage, (4) the effect of market orientation on competitive advantage, (5) the effect of product innovation on competitive advantage, (6) the mediating role of market orientation in the relationship between entrepreneurial orientation and competitive advantage, and (7) the mediating role of product innovation in the relationship between entrepreneurial orientation and competitive advantage.

The study population consisted of employees of Muslim Clothing SMEs in East Java with a sample of 103 employees selected using a proportional sampling technique. This technique ensured a balanced representation of various departments within the hospital, making the study's

findings more generalizable to the overall population. Data were collected through questionnaires using a five-point Likert scale designed to measure respondents' perceptions of entrepreneurial orientation, market orientation, product innovation, and competitive advantage.

Data analysis was performed using multiple regression analysis with IBM SPSS Statistics version 25. Multiple regression was chosen because it allows for the simultaneous testing of the influence of multiple independent variables on a dependent variable and assesses the mediating effect of certain variables on the relationships among the variables. This method is particularly useful for distinguishing between the direct and indirect effects of the independent variables on the dependent variable, which is critical for understanding the mediating roles of market orientation and product innovation.

The mediation effect in this study was tested through several stages of multiple regression analysis (Hayes, 2013) as follows:

- First step: Regression is conducted between entrepreneurial orientation (independent variable) and competitive advantage (dependent variable) to measure the direct effect of entrepreneurial orientation on competitive advantage.
- Second, regression is conducted between entrepreneurial orientation and market orientation, as well as between entrepreneurial orientation and product innovation, to measure the impact of entrepreneurial orientation on the mediating variables (market orientation and product innovation).
- Third step: Regression is performed, including entrepreneurial orientation and the mediating variables (market orientation or product innovation), simultaneously with competitive advantage. At this stage, both entrepreneurial orientation and the mediating variables are included in the model to observe whether the influence of entrepreneurial orientation on competitive advantage decreases or becomes insignificant when market orientation or product innovation is considered as a mediator.

The choice of multiple regression analysis in this study is based on its ability to provide a comprehensive understanding of the relationships among variables and enable researchers to explore the direct and indirect effects of entrepreneurial orientation on competitive advantage through market orientation and product innovation. Moreover, multiple regression analysis can identify the significance of the mediation effect, which aligns with the study's objective of explaining the dynamics of the relationships among the variables in the context of Muslim Clothing SMEs in East Java.

The hypothesis testing stage includes goodness-of-fit tests and significance tests of regression coefficients, which are used to determine whether the mediating variables, market orientation, and product innovation significantly mediate the relationship between entrepreneurial orientation and competitive advantage. The results of these tests provide insights into the strength and direction of the relationships among the variables studied as well as the crucial role of market orientation and product innovation in enhancing the competitive advantage of the hospital.

Table 1. Respondent Characteristics

Description	N	%	Description	N	%	Description	N	%
Gender			Early Years			Education		
Man	34	33.3	<1 year	46	44.2	Graduated from high school or earlier	27	26.1
Woman	69	66.7	1-10 Years	56	54.3	Bachelor	57	55.8
Amount	103	100	>10 Years	1	1.4	Masters	7	6.5
Age			Amount	103	100	Doctor	12	11.6
17-34	101	97.8				Amount	103	100
35-52	2	2,2						
53>	0	0						
Amount	103							

Source: Data processed

Based on Table 1, the study revealed that the majority of respondents were women (66.7%) compared to men (33.3%). For women, effective teamwork, relevant market orientation, and product innovation positively affect their performance. An inclusive work environment, development opportunities, and addressing women's needs can enhance their motivation, engagement, and achievement. Furthermore, 97.8% of the respondents were aged 17-34, indicating a young majority. This diverse age range provides insights into how young individuals navigate workplace challenges, particularly those concerning teamwork, market orientation, and product innovation. Additionally, most respondents (54.3%) had 1-10 years of work experience, emphasizing the significance of effective teamwork, market orientation, and product innovation in their performance. With 55.8% holding a bachelor's degree, individuals with this educational background also benefited from teamwork and market orientation. Investing in team development and relevant programs can further enhance performance and career success in a supportive work environment.

Table 2. Validity Test Results

Indicator	Pearson correlation	Sig. (2-tailed)	Indicator	Pearson correlation	Sig. (2-tailed)
X_ Product development	0.677	0,000	Y1_ Product differentiation	0.511	0,000
X_ Technology adoption	0.558	0,000	Y2_ Uniqueness	0.487	0,000
X_ Innovative marketing	0.502	0,000	Y2_ Authenticity of design	0.449	0,000
X_ Investment courage	0.595	0,000	Y2_ Innovative materials	0.630	0,000
X_ Market exploration	0.761	0,000	Y2_ Technology adoption	0.491	0,000
X_ Innovative vision	0.639	0,000	Y2_ Efficiency	0.583	0,000
X_ Partnership	0.657	0,000	Y2_ Implementation	0.636	0,000
X_ Speed	0.640	0,000	Y2_ Media Use	0.574	0,000
X_ Flexibility	0.579	0,000	Y2_ Distribution channel	0.664	0,000
Y1_ Market research	0.585	0,000	Y3_ Product innovation	0.495	0,000
Y1_ Market segmentation	0.640	0,000	Y3_ Product quality	0.475	0,000
Y1_ Loyalty program	0.715	0,000	Y3_ Operational efficiency	0.710	0,000
Y1_ Quality	0.566	0,000	Y3_ Marketing strategy	0.703	0,000
Y1_ Responsive	0.637	0,000	Y3_ Customer service	0.653	0,000
Y1_ Adaptability	0.721	0,000	Y3_ Building a reputation	0.501	0,000
Y1_ Communication Strategy	0.779	0,000	Y3_ Flexibility	0.530	0,000

Source: Data processed

Table 3. Reliability Test Results

Indicator	Cronbach's Alpha if Item Deleted	Indicator	Cronbach's Alpha if Item Deleted
X_ Product Development	0.869	Y1_ Product Differentiation	0.872
X_ Technology Adoption	0.871	Y2_ Uniqueness	0.869
X_ Innovative Marketing	0.873	Y2_ Authenticity of Design	0.871
X_ Investment Courage	0.871	Y2_ Innovative Materials	0.872
X_ Market Exploration	0.868	Y2_ Technology Adoption	0.876
X_ Innovative Vision	0.872	Y2_ Efficiency	0.871
X_ Partnership	0.871	Y2_ Implementation	0.873
X_ Speed	0.870	Y2_ Media Use	0.874
X_ Flexibility	0.871	Y2_ Distribution channel	0.873
Y1_ Market Research	0.877	Y3_ Product Innovation	0.873
Y1_ Market segmentation	0.872	Y3_ Product quality	0.875
Y1_ Loyalty Program	0.870	Y3_ Operational Efficiency	0.871
Y1_ Quality	0.871	Y3_ Marketing strategy	0.872
Y1_ Responsive	0.868	Y3_ Customer service	0.872
Y1_ Adaptability	0.870	Y3_ Building a Reputation	0.874
Y1_ Communication Strategy	0.868	Y3_ Flexibility	0.876

Source: Data processed

Based on [Table 2](#), the results of the validity test show that all statements from the variables entrepreneurial orientation (X), market orientation (Y1), product innovation (Y2), and competitive advantage (Y3) are valid. The Pearson correlation value for each variable was greater than 0.361, and the significance value (Sig) was less than 0.05, referring to established criteria ([Ghozali & Ratmono, 2017](#)). This indicates that each statement in the research instrument has a significant relationship with the concept being measured, meeting the established validity standards. Thus, it can be concluded that the instruments used in this research are of good quality and can be used to measure the variables studied.

The results of the reliability test showed that all statement items from the variables entrepreneurial orientation (X), market orientation (Y1), product innovation (Y2), and competitive advantage (Y3) had a Cronbach's alpha value greater than 0.60. This high Cronbach's alpha value indicates a good level of internal consistency between the items for each variable, as shown in [Table 3](#). According to [Malhotra \(2017\)](#), an instrument can be considered reliable if its Cronbach's alpha value is ≥ 0.60 . Thus, it can be concluded that the statements used in the instrument have good reliability and can be used to measure the concept studied. The results of this validity and reliability test confirm that the measurement instruments used in the research are of adequate quality so they can be trusted to collect the data needed in this research.

Table 4. One-Sample Kolmogorov-Smirnov Normality Test Results

		Studentized Deleted Residual
N		165
Normal Parameters, b	Mean	-.0016707
	Std. Deviation	1.01088577
Most Extreme Differences	Absolute	0,057
	Positive	0,047
	Negative	-0,057
Statistical Tests		0,057
Asymp. Sig. (2-tailed)		0,200c,d

- a. Test distribution is Normal.
 b. Calculated from data.
 c. Lilliefors Significance Correction.
 d. This is a lower bound of the true significance.

Source: Data processed

Based on the normality test results listed in [Table 4](#), an Sig value of 0.200 was obtained. An Sig value greater than 0.050 indicates that the residuals of the regression model have a normal distribution. According to [Ghozali \(2021\)](#), when the Sig value is > 0.05 , it can be concluded that the residual data follows a normal distribution. Therefore, the results of this normality test indicate that the normality assumption was met in the regression model used in this study.

Table 5. Test Results Multicollinearity

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	8,333	1,775		4,695	0,000		
	Market Orientation	-0.100	0.071	-0.123	-1,408	0.161	0,571	1,750
	Entrepreneurial Orientation	0.206	0.057	0.291	3,642	0,000	0,683	1,464
	Product Innovation	0.400	0.069	0.450	5,766	0,000	0.715	1,398

- a. Dependent Variable: Competitive Advantage

Source: Data processed

Based on the results of the multicollinearity test listed in [Table 5](#), the entrepreneurial orientation variable (X) has a tolerance value of 0.683 and a VIF value of 1.464. Meanwhile, market

orientation (Y1) has a tolerance value of 0.571 and a VIF value of 1.750. Product innovation (Y2) also shows a tolerance value of 0.715 and a VIF value of 1.398. According to the criteria set by Ghozali (2021), a tolerance value greater than 0.100 and a VIF value of less than 10.00 indicate that there is no indication of multicollinearity between the variables used in the regression model. Therefore, based on the results of this multicollinearity test, it can be concluded that the assumptions regarding multicollinearity were met in the regression model used in this study.

Table 6. Test Results Heteroscedasticity

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,125	0.255		4,409	0,000
	Market Orientation	-0.015	0.010	-0.148	-1,434	0.154
	Entrepreneurial Orientation	0,000	0.008	-0.006	-0.059	0.953
	Product Innovation	0,000	0.010	-0.003	-0.032	0.975

a. Dependent Variable: RES

Source: Data processed

Based on the results of the heteroscedasticity test listed in Table 6, the entrepreneurial orientation variable (X) has a Sig value of 0.833, with a tolerance value of 0.421. Meanwhile, market orientation (Y1) and product innovation (Y2) have Sig values of 0.620. According to the criteria set by Ghozali (2021), there is no significant heteroscedasticity if the Sig value is > 0.05. Thus, based on the results of this heteroscedasticity test, it can be concluded that the assumptions regarding heteroscedasticity were met in the regression model used in this study. In other words, there is no significant indication of a heteroscedasticity problem in the data analyzed.

Table 7. Regression Results on Entrepreneurial Orientation and Product Innovation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	16,987	1,747		9,723	0,000
	Entrepreneurial Orientation	0.293	0.058	0.367	5,041	0,000

a. Dependent Variable: Product Innovation

Source: Data processed

Table 8. Regression Results on Entrepreneurial Orientation and market orientation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9,151	1,710		5,352	0,000
	Entrepreneurial Orientation	0.487	0.057	0.556	8,542	0,000

a. Dependent Variable: Market Orientation

Source: Data processed

The path analysis results, shown in Tables 7 and 8, provide important insights into the relationships between the variables tested in this study. Table 7 indicates that entrepreneurial orientation has a significant positive effect on product innovation (Sig = 0.000), supporting H1. Similarly, market orientation also shows a significant positive effect on product innovation (Sig = 0.000), confirming H2. These findings demonstrate that both entrepreneurial orientation and market orientation contribute positively to enhancing product innovation in Muslim Clothing SMEs in East Java. Table 8 reveals that entrepreneurial orientation significantly influences competitive advantage (Sig = 0.000), supporting Hypothesis H3, while market orientation does not have a significant impact on competitive advantage (Sig = 0.161), refuting Hypothesis H4. However, product innovation has a strong positive effect on competitive advantage (Sig = 0.000), supporting H5. The results further highlight that entrepreneurial orientation directly impacts

product innovation, which, in turn, positively affects competitive advantage. Although market orientation does not directly influence competitive advantage, product innovation plays a key mediating role in linking entrepreneurial orientation to competitive advantage, reinforcing the findings of Hypothesis H7. These results emphasize the importance of entrepreneurial orientation in fostering product innovation, which ultimately contributes to achieving a competitive advantage for Muslim Clothing SMEs in East Java.

Table 9. Regression Results Entrepreneurial Orientation, Market Orientation, Product Innovation, Competitive Advantage

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8,333	1,775		4,695	0,000
	Entrepreneurial Orientation	0.206	0.057	0.291	3,642	0,000
	Market Orientation	-0.100	0.071	-0.123	-1,408	0.161
	Product Innovation	0.400	0.069	0.450	5,766	0,000

a. Dependent Variable: Competitive Advantage
Source: Data processed

Based on the regression analysis in [Table 9](#), entrepreneurial orientation and product innovation significantly and positively influence competitive advantage. The entrepreneurial orientation coefficient is 0.206, with a t-value of 3.642 and a p-value of 0.000, indicating that greater entrepreneurial orientation boosts competitive advantage. Similarly, product innovation has a coefficient of 0.400, a t-value of 5.766, and a p-value of 0.000, confirming its positive and significant impact. However, market orientation, with a coefficient of -0.100, t-value of -1.408, and p-value of 0.161, did not significantly affect competitive advantage. These results highlight that fostering entrepreneurial orientation and product innovation can strengthen a competitive advantage.

Table 10. Hypothesis Test Results

Hypothesis	Variable	β	t	Sig.	Decision
H1	Entrepreneurial orientation→Product innovation	0.367	5,041	0,000	Significant
H2	Entrepreneurial orientation→Market orientation	0.556	8,542	0,000	Significant
H3	Entrepreneurial orientation→Competitive advantage	0.291	3,642	0,000	Significant
H4	Market orientation→Competitive advantage	-0.123	-1,408	0.161	Not significant
H5	Product innovation→Competitive advantage	0.450	5,766	0,000	Significant

Source: Data processed

[Table 10](#) presents hypothesis testing results, examining the effects of entrepreneurial orientation, market orientation, and product innovation on competitive advantage. Hypothesis 1 (H1) confirms that entrepreneurial orientation positively and significantly influences product innovation, with a coefficient of 0.367, t-value of 5.041, and p-value of 0.000, indicating that increased entrepreneurial orientation enhances product innovation. Hypothesis 2 (H2) shows entrepreneurial orientation also positively impacts market orientation, as evidenced by a coefficient of 0.556, t-value of 8.542, and p-value of 0.000. Hypothesis 3 (H3) demonstrates a positive, significant effect of entrepreneurial orientation on competitive advantage, with a coefficient of 0.291, t-value of 3.642, and p-value of 0.000, suggesting it strengthens competitive advantage. In

contrast, Hypothesis 4 (H4) finds market orientation does not significantly affect competitive advantage (coefficient = -0.123, t-value = -1.408, p-value = 0.161). Finally, Hypothesis 5 (H5) highlights product innovation's positive and significant role in competitive advantage, shown by a coefficient of 0.450, t-value of 5.766, and p-value of 0.000. Overall, the findings emphasize entrepreneurial orientation's importance in enhancing product innovation, market orientation, and competitive advantage, with product innovation crucial for competitive strength.

Results and Discussion

The research findings highlight the significant positive impact of entrepreneurial orientation (EO). This research highlights the significant role of entrepreneurial orientation (EO) in driving product innovation within Muslim Clothing SMEs, offering valuable theoretical, practical, and strategic implications. The findings reinforce existing theories linking EO to innovation, especially in SMEs. EO, which is characterized by proactivity, risk-taking, and innovation, is crucial for promoting product innovation. Recent studies, such as [Diáñez-González et al. \(2021\)](#), further emphasize the importance of digitalization, risk-taking, and international EO in fostering innovation.

Practically, Muslim Clothing SMEs should prioritize building entrepreneurial capacity by encouraging proactive behavior and risk-taking among employees and management. Establishing a culture of innovation, supported by research by [Kuckertz et al. \(2024\)](#) and [Slavković et al. \(2024\)](#), is essential for enhancing business performance. Leaders play a critical role in inspiring innovation and SMEs can implement training programs to foster creativity and adopt new technologies. [Anofa et al. \(2022\)](#) highlight the need for leadership to strengthen EO, particularly in encouraging proactive innovation.

Strategically, emphasizing EO can provide Muslim Clothing SMEs a competitive edge by developing innovative products and exploring new markets. [Huang \(2023\)](#) underscored the role of green EO in sustainable innovation. Moreover, SMEs should focus on product innovation strategies that incorporate new design and production technologies. [Peretz-Andersson et al. \(2024\)](#) indicate that managerial support can help overcome challenges in developing innovative strategies, whereas [Harsanto et al. \(2024\)](#) and [Srisathan et al. \(2023\)](#) illustrate the importance of collaborative networks and supportive government policies.

These findings support the theory connecting entrepreneurial orientation (EO) to market orientation strategies in Muslim Clothing SMEs. [Guerra and Camargo \(2024\)](#) highlight a positive relationship between market orientation and business performance in export-oriented SMEs in developing countries, encompassing factors such as innovation and market volatility. [Dayan et al. \(2023\)](#) emphasized the role of constructive politics and market volatility in moderating the relationship between EO and performance, advocating for a sustainable EO approach across various operational contexts. This theory posits that SMEs with robust EO are more adaptable to market dynamics, capable of identifying new opportunities, and proactive in aligning their products and services with evolving market needs. [Crick et al. \(2024\)](#) note that, while small companies often proactively develop new markets and products, they face risks if they cannot adapt. [Bouguerra et al. \(2024\)](#) further argue that companies with EO are better positioned to respond to environmental changes and proactively pursue opportunities.

For practitioners and owners of Muslim Clothing SMEs, recognizing the significance of EO is vital for navigating intense market competition. [Cadden et al. \(2023\)](#) recommended leveraging big data and marketing analytics to gain a competitive edge through innovative resource allocation. [Subramanian and Banihashemi \(2024\)](#) stressed the need for emotional intelligence and modern leadership in competitive markets. [Tajpour et al. \(2023\)](#) highlighted the benefits of combining EO with social media to enhance employee knowledge and innovation contributions.

Strategically, EO can serve as a foundation for sustainable competitive advantage. ([Kusa et al., 2024](#)) demonstrate that EO, along with information and knowledge management, enhances SME performance. [Mahrinasari et al. \(2024\)](#) emphasized the role of local wisdom and government support in strengthening creative industries. Muslim Clothing SMEs embracing sustainable entrepreneurship, innovation, and digitalization can better adapt to market changes and lead product innovation, as supported by [Andrade-Rojas et al. \(2024\)](#) and [Yao et al. \(2023\)](#). By

implementing these strategies, Muslim Clothing SMEs can differentiate their products, develop targeted marketing approaches, and strengthen their market positions.

Empirical findings show that entrepreneurial orientation (EO) has a significant positive impact on competitive advantage in small and medium-sized enterprises (SMEs), strengthening and expanding the theory linking EO with competitive advantage. Research, such as that conducted by [Kusa et al. \(2024\)](#) and [Mahrinasari et al. \(2024\)](#), underline that EO produces sustainable competitive advantages. This research confirms that SMEs with an entrepreneurial orientation tend to be more adaptive to market dynamics, able to identify new opportunities, and proactive in adapting their products and services to developing market needs. These findings add to the evidence that EO is a determining factor of market orientation and innovation strategies in the SME context.

Understanding the importance of EO can inspire efforts to improve company readiness to face fierce market competition for practitioners and Muslim Clothing SME owners. For example, [Cadden et al. \(2023\)](#) show that EO can be utilized to gain a competitive advantage by leveraging big data and company resources. In addition, research by [Subramanian and Banihashemi \(2024\)](#) highlights the importance of motivating employees by developing controlled risk-taking strategies, promoting innovation in products and processes, and creating an organizational culture that supports courage in creating added value for customers. Practitioners can use EO to develop the skills and abilities necessary to remain competitive and innovative.

Strategically, EO can be the foundation for developing sustainable competitive advantages in Muslim Clothing SMEs. [Avelar et al. \(2024\)](#) show that SMEs that adopt sustainable entrepreneurship, innovation, and digitalization strategies simultaneously can drive growth and adapt to market changes. SMEs that implement EO can navigate market dynamics more easily and position themselves as leaders in product innovation. Additionally, research by [Lee and Park \(2022\)](#) and [Wu et al. \(2024\)](#) shows that EO can open up opportunities for expansion into new markets or untapped market segmentations, allowing SMEs to develop competitive advantages through innovative product differentiation and targeted marketing strategies. In this way, Muslim Clothing SMEs can strengthen their positions in the market through a proactive and innovative approach.

The finding that market orientation negatively impacts competitive advantage in small- and medium-sized enterprises (SMEs) challenges the traditional theory that typically associates market orientation with improved business performance. Studies by [Guerra and Camargo \(2024\)](#) and [Dayan et al. \(2023\)](#) indicate that, in specific contexts, market orientation might not always yield the anticipated benefits. These results broaden our understanding of situations in which market orientation could have a negative effect, such as in highly dynamic markets, or when companies prioritize current customer needs at the expense of long-term innovation. This study makes a valuable contribution to the literature by highlighting that market orientation may not always be the best strategy for every context or business type.

These findings offer important insights into the limitations of market orientation for practitioners and SME owners in the Muslim clothing sector. In practice, excessive focus on market orientation may hinder a company's innovation and responsiveness to rapidly changing business environments. Studies by [Cadden et al. \(2023\)](#) and [Subramanian and Banihashemi \(2024\)](#) reveal that companies overly focused on market orientation may overlook the importance of innovation and new product development. Therefore, practitioners must balance market orientation with robust innovation and entrepreneurial strategies. This involves fostering a culture of innovation, encouraging calculated risk taking, and setting up strategies to identify and pursue new opportunities.

Strategically, these findings suggest that Muslim clothing SMEs should adopt a holistic and balanced approach. Rather than solely focusing on market orientation, businesses should embrace an entrepreneurial and innovative mindset to achieve a sustainable competitive advantage. [Avelar et al. \(2024\)](#) emphasize the importance of combining market orientation with innovation and adaptability. This approach allows businesses not only to satisfy current customer needs but also to remain adaptable to changes in the market and technology. Muslim clothing SMEs that

successfully integrate these strategic orientations are better equipped to face market challenges and seize broader growth opportunities.

Empirical findings show that product innovation has a significant positive impact on competitive advantage in Muslim small and medium enterprises (SMEs), strengthening the theory linking innovation with improved business performance. This study supports the concept that product innovation is a key element in competitive strategies, especially in highly dynamic and consumer-oriented industries. For example, [Peretz-Andersson et al. \(2024\)](#) and [Malik et al. \(2024\)](#) emphasize that the ability to develop new products and adopt innovative technologies is the main determining factor in creating competitive advantage. These findings expand the theoretical understanding of the role of innovation in SMEs, particularly in the footwear sector, by confirming that product innovation is not just about meeting current market needs but also about driving change and creating new trends.

For Muslim Clothing practitioners and SME owners, these findings provide strong evidence that investment in product innovation is an effective strategy for increasing competitiveness. Practitioners should focus on developing innovation skills within the company through employee training, collaboration with strategic partners, or adoption of new technologies. Research by [Liu and Wang \(2022\)](#) and [Srisathan et al. \(2023\)](#) indicates that creating an organizational culture that supports innovation is key to encouraging employees to be more proactive and creative in their work. In addition, SMEs must dare to experiment with new designs and materials to create attractive and diverse products on the market.

Strategically, these findings emphasize that product innovation must be at the core of the Muslim Clothing SME business strategy. This strategy allows companies to adapt to market changes, attract new customer segments, and expand their market shares. [Herhausen et al. \(2021\)](#) and [Bouguerra et al. \(2024\)](#) show that companies that focus on product innovation are not only able to survive in a competitive environment, but also lead the market by introducing revolutionary products. This innovation strategy can include product diversification, quality improvement, and the development of unique features that meet evolving consumer needs and preferences.

By applying these theoretical, practical, and strategic implications, Muslim Clothing SMEs can effectively increase their competitive advantages through product innovation. A deep understanding of the importance of innovation in this context will help companies harness the full potential of their innovative capabilities, thereby ensuring sustainable growth and long-term success in the footwear industry.

Empirical findings show that market orientation does not play a mediating role in the relationship between entrepreneurial orientation (EO) and competitive advantage in small and medium enterprises (SMEs), challenging existing theoretical assumptions regarding the mediating role of market orientation. Previous research, such as [Kusa et al. \(2024\)](#) and [Mahrinasari et al. \(2024\)](#), suggest that market orientation strengthens the impact of EO on competitive advantage. However, these new findings indicate that EO may have a stronger direct path to competitive advantage, without necessarily being mediated by market orientation. This expands our understanding of the internal dynamics of EO and competitive advantage and highlights the need for further research to identify the conditions under which market orientation may not play a mediating role.

These findings provide important insights for Muslim Clothing practitioners and SME owners. Recognizing that market orientation does not mediate the relationship between EO and competitive advantage, SMEs can more directly emphasize EO development without having to divert excessive resources into market-oriented activities. [Cadden et al. \(2023\)](#) show that efforts to increase competitive advantage can be more effective if Muslim Clothing SMEs direct their resources towards developing entrepreneurial capacity, product innovation, and rapid adaptation to market changes. Practitioners need to consider that market orientation strategies remain important but may not always be a top priority in certain contexts.

These findings indicate that Muslim Clothing SMEs need to develop strategies that directly integrate EO to achieve competitive advantage. Research by [Avelar et al. \(2024\)](#) and [Kraus et al. \(2023\)](#) shows that a strong entrepreneurial strategy, with a focus on innovation and adaptability,

can provide more significant competitive advantages than those mediated through market orientation. This strategy allows Muslim Clothing SMEs to focus more on innovative product development and taking measured risks rather than focusing too much on understanding the current market. Thus, SMEs can navigate market dynamics more effectively and take advantage of new growth opportunities. By understanding and implementing these implications, Muslim Clothing SMEs can optimize EO more directly to increase product innovation, strengthen competitive advantages, and achieve sustainable growth in dynamic markets.

Empirical findings showing the mediating role of product orientation in the relationship between entrepreneurial orientation (EO) and competitive advantage in Muslim small and medium enterprises (SMEs) enrich the existing literature on business strategy and product innovation. This research supports the theory that product orientation (PO) is a key element in linking EO to successful business outcomes. For example, this theory asserts that SMEs with strong EO but not supported by PO may not achieve their full potential in terms of competitive advantage. [Herhausen et al. \(2021\)](#) and [Bouguerra et al. \(2024\)](#) show that the integration of EO and PO allows companies to be more effective in creating innovative products that meet market needs, thereby strengthening their competitive position.

For practitioners and Muslim Clothing SME owners, these findings emphasize the importance of integrating EO with OD to achieve competitive advantage. Practitioners must ensure that their entrepreneurial strategies also include approaches that focus on product innovation, such as research and development, unique product designs, and the adoption of new technologies in the production process. Research by [Liu and Wang \(2022\)](#) and [Srisathan et al. \(2023\)](#) shows that companies that successfully combine EO and PO can create products that are more innovative and relevant to the market. Therefore, Muslim Clothing SMEs must invest in R&D and encourage a culture of innovation throughout the organization to increase customer satisfaction and loyalty.

These findings emphasize that Muslim Clothing SMEs need to develop strategies that integrate EO with PO to build sustainable competitive advantages. This strategy involves developing innovative products that suit market needs as well as rapid adaptation to changing customer preferences and market trends. Research by [Guerra and Camargo \(2024\)](#) and [Dayan et al. \(2023\)](#) shows that by implementing this strategy, SMEs can increase their responsiveness to market changes and develop stronger relationships with customers. This strategy also allows companies to identify and explore new market opportunities, expand their customer base, and improve their competitive positions in the footwear industry.

By understanding these theoretical, practical, and strategic implications, Muslim Clothing SMEs can optimize the relationship between EO and competitive advantage through the mediating role of PO. This not only increases their competitiveness, but also ensures that their innovation and entrepreneurial strategies are always aligned with market needs and expectations, creating long-term value for the company.

Conclusion

Product orientation enhances the ability to achieve competitive advantage through targeted innovation and product development. This aligns with findings that suggest that a proactive focus on product features and quality is essential for converting entrepreneurial initiatives into market success. This mediating role underscores the importance of not just having an entrepreneurial mindset, but also ensuring that product development aligns with market needs and emerging trends.

The practical implications of these findings are significant for Muslim clothing SMEs. Companies should concentrate on two key areas: fostering an entrepreneurial mind-set and strengthening product orientation. This may include investing in market research to gain deeper insights into consumer preferences, and implementing advanced production methods to improve product quality and distinctiveness. By developing a product-focused strategy, businesses can connect entrepreneurial efforts to market outcomes, ultimately achieving a sustained competitive edge.

Strategically, our findings suggest that product orientation serves as a crucial conduit for entrepreneurial activities to translate into competitive outcomes. Muslim Clothing SMEs can leverage this by aligning their EO strategies with a strong product-orientation focus, such as implementing continuous product improvements, enhancing product designs, and utilizing customer feedback for product refinement. By focusing on product innovation alongside entrepreneurial strategies, SMEs can secure a distinctive position in the market and respond swiftly to changes in consumer demand.

By understanding and applying these insights, Muslim Clothing SMEs can effectively balance their focus between entrepreneurial and product-oriented strategies, optimize their path to competitive advantage, and ensure long-term success in the dynamic fashion industry.

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