

# Entrepreneurial Orientation and Market Innovation: A Conceptual Perspective on Sustainable Competitive Advantage

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## Abstract

The increasing complexity of the global business environment has intensified competition among organizations, requiring companies to continuously adjust their strategic approaches in order to maintain their market position. Rapid technological developments, shifting consumer preferences, and the expansion of global markets have created new challenges for organizations seeking to sustain long-term competitiveness. In this context, the ability of firms to respond proactively to market dynamics while continuously developing innovative strategies has become increasingly important for ensuring organizational sustainability. This study aims to examine the relationship between entrepreneurial orientation and market innovation in strengthening sustainable competitive advantage from a conceptual perspective. The research employs a qualitative approach through an extensive review of relevant academic literature, including previous studies and scholarly publications related to strategic management, entrepreneurial orientation, and market innovation. The findings indicate that entrepreneurial orientation plays an important role in encouraging organizations to take strategic initiatives and identify emerging market opportunities in dynamic business environments. In addition, the integration of entrepreneurial orientation and market innovation is supported by organizational capabilities such as adaptive structures, effective decision-making processes, coordinated internal functions, and supportive organizational cultures. Ultimately, the development of strategic innovation enables organizations to strengthen sustainable competitive advantage by enhancing their ability to adapt to market changes and maintain stable long-term organizational performance.

**Keywords:** *Entrepreneurial Orientation, Market Innovation, Strategic Innovation, Sustainable Competitive Advantage, Organizational Capabilities.*



## A. INTRODUCTION

Changes in the global economic landscape over the past few decades have given rise to increasingly complex and unpredictable competitive dynamics. Companies no longer operate in a stable and predictable environment, but rather in a market system characterized by rapid technological change, high information mobility, and ongoing shifts in consumer preferences. The development of digital technology, the globalization of trade, and increased connectivity between markets have created a much more open competitive landscape than in previous periods. In these conditions, business organizations face increasing pressure to adapt to numerous simultaneous external changes. As geographic boundaries in economic activity fade, companies compete not only with local actors but also with organizations from across the globe possessing varying resource capacities, technologies, and market networks (Massa et al., 2023).

Amidst these dynamics, temporary competitive advantages are increasingly difficult to maintain in the long term. Many companies that previously dominated the market are experiencing declining performance due to their inability to respond to the increasingly rapid changes in the business environment. This phenomenon is evident across various industrial sectors, where organizations that fail to adapt their business strategies to market changes often experience stagnation or even lose their competitive position (Salunkhe et al., 2023). Changes in industrial structures driven by technological advancements, the emergence of new business models, and increasing competitive intensity have forced companies to continually adjust their strategic orientations. Without the ability to respond adaptively to market dynamics, businesses tend to struggle to maintain the relevance of their products and services to consumers (Marcon et al., 2022).

At the same time, market characteristics are also undergoing significant transformation. Today's consumers have access to far more information than ever before, making their preferences for products and services increasingly diverse and dynamic. Consumer decision-making is no longer solely influenced by price or product quality, but also by user experience, symbolic value, and the image built through interactions between the company and the market. This shift requires companies to develop a more adaptive approach to responding to evolving market needs. Organizations that are able to quickly identify changing consumer demand patterns tend to have a greater chance of maintaining their competitive position in the long term (Nenonen & Storbacka, 2020).

In addition to changes in consumer behavior, technological developments are also accelerating the market transformation process. Digitalization has opened up new opportunities for companies to develop various forms of business activities that were previously not easily possible. Digital platforms enable organizations to reach consumers on a broader scale, accelerate information distribution, and create more intensive interactions between companies and customers (Ritter & Pedersen, 2020). However, rapid technological developments also present new challenges, as companies are required to continuously update their business strategies to remain relevant to rapidly evolving market conditions. In many cases, organizations that fail to capitalize on the opportunities emerging from technological developments are left behind by more adaptive competitors (Omol, 2024).

Amidst an increasingly dynamic business environment, companies face increasing pressure to develop strategic approaches that focus not only on operational efficiency but also on the ability to create new value for the market. Intensifying competition means companies can no longer rely solely on conventional strategies to maintain their market position. Many organizations are beginning to realize that long-term success depends heavily on their ability to identify new opportunities, explore untapped market potential, and develop more creative approaches to respond to competitive dynamics. This situation is pushing companies to adopt a more proactive strategic orientation in the face of changing business environments (Kehbila, 2021).

Changes in market structure are also influenced by the emergence of various innovations that directly alter the way companies interact with consumers. Innovation is no longer understood solely as new product development efforts, but also encompasses various forms of change in how companies create, deliver, and capture value from the market (Branstad & Solem, 2020). In many industries, companies that are able to introduce new approaches to marketing, distribution, and customer communication often gain a significant competitive advantage over their competitors. The success of several companies in developing innovative market strategies demonstrates that the ability to creatively respond to the dynamics of consumer demand can be a critical factor in maintaining sustainable business performance (Varadarajan, 2020).

Furthermore, global economic developments also demonstrate that companies that are able to integrate strategic orientation with the ability to innovate in the market tend to be more resilient to various forms of uncertainty. When the business environment is filled with unpredictable changes, organizations that maintain flexibility in formulating strategies and responding to market opportunities are often able to maintain their performance more consistently. This is evident in various studies on industry dynamics, which show that organizations that are more likely to take strategic initiatives, develop new approaches to the market, and actively explore business opportunities tend to be more resilient in long-term competition (Pertheban et al., 2023).

In the context of increasingly complex global competition, a company's ability to create sustainable value has become an increasingly important issue in strategic management discourse. Many business organizations are beginning to realize that long-term success is determined not only by their ability to generate profits over a specific period but also by their ability to maintain a competitive position amidst ongoing environmental changes. Sustainability of competitive advantage has become a major concern as more and more companies can replicate successful business strategies in a relatively short period of time. In such conditions, companies are required to develop approaches that enable them to continuously create differentiation that is difficult for competitors to imitate (Wang et al., 2023).

This phenomenon also demonstrates that the relationship between an organization's strategic orientation and market innovation dynamics is increasingly relevant for further in-depth study. Many organizations are striving to strengthen their market position by developing new approaches that enhance the attractiveness of their products and services to consumers. These efforts often involve a combination of bold strategic decision-making, the ability to understand changes in the business environment, and organizational readiness to explore opportunities arising from market dynamics. In practice, companies that are able to integrate these dimensions tend to have a greater chance of creating sustainable value for both the organization and the markets they serve (Van Der Duin et al., 2024).

As the complexity of the business environment increases, attention to the relationship between entrepreneurial orientation and market innovation dynamics is

growing in academic studies. Many studies are beginning to highlight how organizations can develop strategic approaches that enable them to respond more effectively to market changes and adapt their business development direction to the ever-changing competitive dynamics. This discourse is becoming increasingly important because companies are not only required to survive the competition but also to continuously create new opportunities that can strengthen their long-term position and maintain the sustainability of organizational performance amidst business environmental uncertainty. In this context, efforts to more comprehensively understand how entrepreneurial orientation can drive innovation in the marketplace are becoming increasingly relevant to enrich theoretical perspectives in strategic management and entrepreneurship studies. Therefore, this study seeks to examine the relationship between entrepreneurial orientation and market innovation within a conceptual framework that positions both aspects as crucial factors in building sustainable competitive advantage.

## **B. LITERATURE REVIEW**

### **1. Entrepreneurial Orientation**

Entrepreneurial orientation plays a crucial role in improving business performance because it has a widely accepted meaning. Orientation is a review to determine the appropriate attitude (direction, location, etc.) and perspective that underlie an individual's thoughts, concerns, and tendencies. Entrepreneurship, on the other hand, is a discipline that studies the values, abilities, and behaviors of individuals in facing various life challenges and how they seek opportunities within the risks involved (Arabeche et al., 2022).

According to Lumpkin and Dess, entrepreneurial orientation can be defined as a company's orientation that is based on the principle of identifying and exploiting opportunities. They also define entrepreneurial orientation as an orientation to be the first to innovate in the market, and a willingness to take risks and actively respond to changes in the market (Putniņš & Sauka, 2020).

Entrepreneurial orientation is characterized by a proactive attitude in seeking opportunities, the courage to take risks, and decision-making driven by strong leadership and specific values. A person who can think creatively and innovatively can have an entrepreneurial orientation. According to Reswanda's view, entrepreneurial orientation is the nature, characteristics, and personality of a person who has the desire to realize innovative ideas creatively in the real world (Corrêa et al., 2022).

According to Covin and Miller, entrepreneurial orientation is a strategic concept used to guide actions in developing new products. A similar opinion was expressed by Martens, who explained that entrepreneurial orientation is an organizational or company strategy involving fundamental policies and practices to create a competitive advantage. Companies that embrace an entrepreneurial orientation generally possess structural characteristics, processes, and a collective

culture that enable them to produce innovative products, including new initiatives (Ljungkvist et al., 2020).

The definitions of entrepreneurial orientation outlined by several researchers share similarities in terms of the entrepreneur's ability to innovate, risk-taking, perseverance, and proactivity. Therefore, it can be concluded that entrepreneurial orientation is an attribute possessed by an entrepreneur that demonstrates perseverance, risk-taking, innovativeness, and creativity in an effort to improve company performance (Iyiola et al., 2023).

## **2. Innovation**

A crucial component in gaining a competitive advantage. Companies cannot grow without innovation. Businesses that are consistently creative can lead the market by developing new models, designs, and products. Ultimately, innovation makes products unique, making them more difficult for competitors to imitate (Farida & Setiawan, 2022).

Most people agree that innovation is the process of implementing various ideas through practical implementation, not simply generating new concepts or ideas. Innovation as a concept can be briefly defined as organizational modification that incorporates creativity in the development of new ideas, products, services, or procedures. Innovation can also be defined as the process of adapting ideas, concepts, procedures, and products, whether created internally or externally, to existing products, services, and organizations (Oeij et al., 2019). Innovation generally refers to the process of developing new products and the act of adopting something, in this case, a new product, for all users. The concept of innovation is multifaceted and consists of four distinct dimensions: the company's leadership orientation related to innovation, the type of innovation implemented, its sources, and the investment required for innovation (Marion & Fixson, 2021).

Thompson argues that the ideation and implementation of ideas for new products fall within the broad concept of product innovation. Gaynor asserts that the primary tactic used by businesses to create value for consumers and gain a competitive advantage is new product development. The new product development process will directly affect the company's ability to achieve success, which is indicated by increased revenue and profits (Bender-Salazar, 2023).

Product innovation is believed to alleviate the boredom and fatigue consumers experience when choosing unfamiliar or varied products. Successful product innovation requires careful planning and execution, encompassing various planning phases such as research and development, engineering, manufacturing, and market launch (Paparoidamis et al., 2019). A supportive environment and standard procedures are essential for successful innovation. Furthermore, successful innovation must be maintained or enhanced over time. A company's success is directly impacted by the innovation process, which aims to boost profits (Frank et al., 2019).

Two key driving forces in new product innovation relate to time and speed. By implementing a time-based innovation strategy, businesses can quickly transform new technologies into new products that provide added value and utility, including benefits for customers. Innovation can enhance a company's competitiveness. Innovative products help businesses gain and maintain market share and increase profitability (Van Criekingen, 2020).

### **C. METHOD**

This research was conducted using a qualitative approach oriented toward developing a conceptual study. This approach was chosen because the research focuses on examining various ideas, thoughts, and academic findings that have developed in the literature regarding the dynamics of entrepreneurial orientation, market innovation, and sustainable competitive advantage in the context of modern business competition. Through this approach, research data was obtained from various written sources relevant to the study's focus, such as scientific articles in academic journals, previous research publications, and various scientific works discussing the development of business strategies and the dynamics of innovation in the market. The utilization of these various literature sources is intended to obtain a comprehensive picture of the development of academic discourse related to the research topic. After all research data has been successfully collected, the next step is carried out through a systematic process of data processing and review to identify the interconnectedness of ideas developed in the various literature reviewed. This process is carried out by critically examining various previous research findings and linking them to developments in the fields of strategic management and entrepreneurship. Through these stages, this research seeks to develop a more structured understanding of the relationship between entrepreneurial orientation and market innovation in building sustainable competitive advantage. Thus, the results of this study are expected to provide a conceptual contribution in enriching academic discourse related to organizational strategy in facing increasingly complex business competition dynamics (Kusumastuti & Khoiron, 2019).

### **D. RESULT AND DISCUSSION**

#### **1. Strategic Role of Entrepreneurial Orientation in Organizational Development**

The increasingly dynamic business environment has prompted organizations to rethink how they formulate and implement corporate strategies. Increasingly intense competition, both nationally and globally, requires companies to go beyond routine business practices and develop strategic initiatives that can respond more quickly and effectively to market dynamics. In an increasingly competitive environment, organizations that are able to take proactive strategic steps tend to have a greater chance of maintaining their position in the industry. These strategic initiatives are often reflected in companies' efforts to develop more flexible business approaches, expand the scope of market activities, and create new opportunities that

can strengthen the organization's competitiveness. Therefore, a company's ability to formulate and execute strategic initiatives is a crucial aspect in determining the organization's sustainable development amidst the rapidly changing business environment.

In this context, organizations are faced with the need to continuously monitor changes occurring in the external environment, particularly those related to market dynamics and shifts in consumer behavior. A company's ability to identify new market opportunities is becoming increasingly crucial in maintaining long-term business growth. As market conditions continue to transform, companies are required to be highly sensitive to the various signals of change emerging in the industry environment. Organizations that are able to quickly identify market opportunities are typically able to capitalize on the momentum of these changes to develop new business activities relevant to consumer needs. Thus, the process of observing market dynamics not only serves as a mechanism for understanding the organization's external conditions but also as a foundation for formulating more progressive strategic steps.

The ability to identify market opportunities is also closely related to how an organization manages its strategic decision-making process amidst increasing levels of uncertainty. The modern business environment is often characterized by changes that cannot always be accurately predicted, leaving organizations faced with situations where strategic decisions must be made despite incomplete information. In such circumstances, companies that dare to make strategic decisions promptly are often able to gain a competitive advantage compared to organizations that tend to wait for greater certainty before taking action. Courage in making strategic decisions not only reflects an organization's readiness to face risks but also demonstrates its ability to respond to opportunities arising from evolving market dynamics.

Furthermore, an organization's boldness in making strategic decisions often plays a crucial role in determining the direction of a company's future development. When organizations are faced with various strategic choices that have different implications for business development, management's ability to prioritize becomes crucial. The decisions an organization makes not only impact its short-term performance but can also determine its long-term competitive position. Therefore, organizations that are able to integrate bold decision-making with a deep understanding of market dynamics tend to have a stronger capacity to thrive in a competitive business environment.

Furthermore, an organization's strategic orientation also plays a significant role in driving the company's adaptation process to ongoing changes in the business environment. Technological changes, evolving consumer patterns, and increasing intensity of industry competition have created a need for companies to continuously adjust their strategies. Organizations with a strong strategic orientation tend to be more responsive to changes in the external environment. This responsiveness is reflected in the company's ability to adjust the direction of its business development to the various opportunities and challenges arising from market dynamics. In this

context, strategic orientation serves not only as a framework for formulating corporate policies but also as a mechanism that encourages organizations to continuously update their business approaches to remain relevant to developments in the industrial environment.

The process of organizational adaptation to changes in the business environment is also closely related to how companies build work patterns that support flexibility in responding to market dynamics. When companies are faced with rapid change, organizations with more adaptive work structures tend to be able to adjust their strategies more effectively. This capability enables companies to respond to various market changes without experiencing significant disruptions to the continuity of their business activities. Thus, organizational adaptation to the external environment depends not only on the ability of individuals to make strategic decisions but also on how the organization builds internal systems that support flexibility and continuous strategic renewal.

In further developments, entrepreneurial orientation also has a significant influence on the direction of corporate strategy development. Organizations that tend to develop a more progressive business approach typically exhibit a more dynamic strategy development pattern compared to organizations that tend to maintain a conventional business approach. A more dynamic strategy development pattern enables companies to continuously explore new business opportunities arising from changes in the market environment. Through this process, organizations not only focus on maintaining their established positions but also strive to create new growth opportunities that can strengthen their long-term competitive position.

The influence of entrepreneurial orientation on the direction of corporate strategy development is also evident in how organizations formulate various policies related to business development. Companies with a strong entrepreneurial orientation tend to demonstrate a tendency to develop more innovative strategies and are open to new opportunities arising from market dynamics. This condition encourages organizations to continuously explore various business development possibilities that can broaden the scope of their activities. Thus, entrepreneurial orientation not only influences how companies respond to changes in the business environment but also plays a role in shaping the direction of organizational strategy development in the long term.

## **2. Market Innovation in Responding to Dynamic Consumer Behavior**

The development of modern markets in recent decades has demonstrated significant changes in consumer behavior and preferences. The transformation of information technology, increased access to various sources of knowledge, and the increasingly open flow of global information have shaped consumers into being far more critical and selective in making their choices. Consumers are no longer merely recipients of products or services offered by companies, but rather active actors capable of comparing various alternatives available in the market. This situation presents companies with new challenges in maintaining the relevance of their

products. As consumer preferences rapidly shift, business organizations are required to more accurately interpret these dynamics to ensure their strategies remain aligned with evolving market needs.

Changes in consumer behavior are also evident in the increasing expectations regarding the quality of experiences they gain from interactions with companies. Modern consumers consider not only the functional aspects of a product but also various other dimensions such as ease of access, convenience of use, and the symbolic value inherent in the product or service. In such a situation, companies can no longer rely on traditional marketing approaches that focus solely on product characteristics. Organizations need to develop new ways to understand increasingly complex consumer preferences and design strategies that address these needs more comprehensively. This change shows that the dynamics of consumer behavior have become an important factor influencing the direction of market strategy development in various industrial sectors.

As consumer behavior becomes increasingly dynamic, companies are also facing a pressing need to develop new approaches to market reach. The increasingly competitive business environment means organizations can no longer rely solely on distribution channels or conventional communication methods to build relationships with customers. Companies need to find more effective ways to expand market reach and strengthen interactions with consumers. These efforts often involve exploring new approaches to marketing activities, developing more interactive communication patterns, and utilizing various platforms that enable companies to reach consumers more broadly. Therefore, changing the way companies reach their markets is a crucial part of organizations' efforts to maintain their relevance amidst the dynamic business environment.

In this process, companies are also required to formulate strategies that can create product differentiation amidst increasingly fierce competition. As various organizations compete to offer products with relatively similar characteristics, a company's ability to deliver unique features becomes a crucial factor in attracting consumers. Differentiation is not only related to the physical aspects of the product but can also be reflected in how a company builds its brand image, designs the customer experience, and develops a communication approach that creates an emotional connection with the market. Organizations that are able to build strong differentiation usually have a greater opportunity to maintain consumer loyalty, because the products or services they offer are seen as having value that cannot be easily replaced by competitors.

Furthermore, effective product differentiation often stems from a company's ability to develop a strategy oriented toward market innovation. This strategy enables organizations not only to keep pace with market changes but also to actively shape the direction of market development through the new approaches they develop. In many cases, companies that successfully introduce innovative strategies in the market can create new competitive spaces that provide strategic advantages for the organization. This demonstrates that market innovation can serve as a means for

companies to strengthen their competitive position while opening up new, previously untapped growth opportunities.

An organization's efforts to strengthen its market position through innovative strategies are also related to how it manages its various resources to support the development of these strategies. Companies that are able to effectively integrate various organizational elements typically have a better ability to develop creative and adaptive market approaches. The integration of market analysis capabilities, product development, and marketing activities enables organizations to design more comprehensive strategies in response to the dynamics of consumer demand. Thus, a company's success in strengthening its market position depends not only on a single aspect but also on how the organization coordinates various internal functions to support the development of innovative strategies.

Furthermore, strengthening market position through innovation also requires an organization's ability to continuously monitor changes in the business environment. The increasingly complex market environment requires companies to have mechanisms that enable them to identify various opportunities and threats arising from external dynamics. Through continuous monitoring of market developments, organizations can gain a deeper understanding of the direction of changes in consumer preferences and the movements of competitors within the industry. This information can then be used as a basis for companies to formulate various strategic steps that can strengthen their market position.

More broadly, developing an adaptive marketing approach is becoming increasingly important in facing the rapidly changing business environment. Organizations need to ensure that their marketing strategies are able to adapt to the various transformations occurring in the market. This adaptation can be reflected in various forms of change, from how companies communicate with customers to how they design the consumer experience when interacting with the products or services they offer. A more adaptive marketing approach enables companies to maintain stronger relationships with consumers while enhancing the organization's ability to respond more effectively to market changes.

The ability to develop an adaptive marketing approach also demonstrates an organization's readiness to continuously update its strategy as the business environment evolves. Companies that are able to continuously adapt their strategies typically have a greater capacity to survive in long-term competition. This is because they don't get stuck in static strategic patterns, but instead continually evaluate and update their approaches to market reach. Through this process, organizations can maintain the relevance of their business strategies while ensuring that their marketing activities remain aligned with changing consumer needs.

### **3. Organizational Capabilities in Integrating Entrepreneurial Orientation and Market Innovation**

An organization's ability to integrate entrepreneurial orientation with market innovation is a crucial factor in determining how a company responds to the

increasingly complex dynamics of the business environment. In practice, this integration depends not only on the initiative of specific individuals or groups within the organization, but also on how the company builds internal capacity to support the development of more innovative strategies. Organizations with strong internal capabilities are typically able to coordinate various elements within the company to create a strategy development process that is more responsive to market changes. Through this process, organizations can leverage their potential to develop new approaches to business activities that can strengthen their competitive position in the industry.

One important aspect influencing an organization's ability to develop innovative strategies is its organizational structure. This structure plays a role in determining the flow of information, responsibilities, and decision-making processes within the company. Organizations with overly rigid structures often struggle to respond quickly to changes in the business environment, as coordination and communication between organizational units become less flexible. Conversely, organizations with more open structures are typically able to create more space for the emergence of new ideas that can drive the development of innovative strategies. A structure that allows for more intensive interaction between organizational units can also accelerate the process of exchanging information needed to respond to market dynamics.

In addition to influencing the flow of information within an organization, organizational structure also determines how a company executes its strategic decision-making process. Effective decision-making patterns can be a crucial driving factor in creating sustainable market innovation. In a business environment characterized by rapid change, organizations require decision-making mechanisms capable of responding to opportunities and challenges promptly. Decision-making processes that are too lengthy or centralized at a single level of management often hinder a company's ability to respond quickly to market dynamics. Therefore, organizations that are able to develop more flexible decision-making patterns typically have a greater capacity to develop innovative strategies that align with changing market needs.

In this context, strategic decision-making is not only related to who has the authority to determine the company's policy direction, but also to how discussions and exchanges of ideas occur within the organization. When diverse perspectives from organizational units are accommodated in the decision-making process, companies have a greater opportunity to produce more comprehensive strategic decisions. This process allows organizations to consider various aspects related to market dynamics before formulating strategic steps. Thus, inclusive decision-making patterns can contribute to strengthening an organization's ability to develop innovative strategies that can respond more effectively to changes in the business environment.

An organization's ability to integrate entrepreneurial orientation and market innovation is also significantly influenced by the level of coordination between units

within the company. In complex organizations, various functions such as product development, marketing, operations, and resource management often play interrelated roles in the business strategy development process. Without effective coordination, the efforts undertaken by each organizational unit can operate separately, thus not producing optimal impact for the company as a whole. Therefore, good coordination between organizational units is a crucial prerequisite for a company's success in developing innovative strategies.

Coordination between organizational units allows companies to integrate various sources of information originating from different functions. Information obtained from marketing activities can provide insight into changing consumer preferences, while information from operational units can provide insights into production capacity and business process efficiency. When this information is integrated through an effective coordination process, organizations can formulate more comprehensive strategies in response to market dynamics. This process also allows companies to reduce the potential for information gaps between organizational units that can hinder the development of innovative strategies.

In addition to coordination between organizational units, managing a company's resources is also a crucial factor in supporting the development of market innovation. Every organization possesses various resources that can be utilized to support business activities, including human, financial, and technological resources. However, the existence of these resources does not automatically result in a company's competitive advantage if they are not managed effectively. Organizations need the ability to allocate their resources to various strategic activities that can support the development of innovation in the market. Appropriate resource management enables companies to optimally utilize their potential to create new value for the market.

Organizational resource management is also related to how companies develop internal capabilities that can support the process of continuous strategic renewal. Organizations that are able to develop strong internal competencies are generally better able to respond to changes in the business environment. This capability enables companies not only to adapt to market changes but also to actively create new opportunities through the various strategic initiatives they develop. Thus, effective resource management is a crucial foundation for organizations in integrating an entrepreneurial orientation with market innovation.

In addition to organizational structure, decision-making patterns, inter-unit coordination, and resource management, organizational culture also plays a crucial role in supporting the integration of entrepreneurial orientation and market innovation. Organizational culture shapes the way members think and act in carrying out various business activities. When an organization has a culture that encourages openness to new ideas, members tend to be more willing to put forward ideas that can support the development of innovative strategies. Conversely, an organizational culture that overly emphasizes adherence to rigid procedures often limits the opportunity for creative ideas that can enrich the company's strategy development process.

An organizational culture that supports flexibility and continuous learning can also create a work environment that is more adaptive to changes in the business environment. In such an organizational environment, members are encouraged to continuously evaluate their business practices and seek new ways to improve the effectiveness of the company's strategy. This ongoing learning process enables organizations to update their business approaches as the market changes. Thus, an adaptive organizational culture can be a crucial foundation for companies in developing strategies that can respond more effectively to the dynamics of the business environment.



**Figure 1. Conceptual Framework of Entrepreneurial Orientation, Organizational Capabilities, and Market Innovation**

The figure depicts a conceptual framework explaining the relationship between entrepreneurial orientation, organizational capabilities, market innovation, and sustainable competitive advantage in the context of organizational strategy development. Initially, entrepreneurial orientation is positioned as a key driving factor, reflecting an organization's tendency to be proactive, innovative, and willing to take risks in responding to the dynamics of business competition. This entrepreneurial orientation then influences the formation of organizational capabilities, which include organizational structure, strategic decision-making

patterns, coordination between organizational units, resource management, and an organizational culture that supports innovation. Well-managed organizational capabilities then become the foundation for market innovation, namely the company's ability to develop a more adaptive market approach, create product differentiation, and strengthen its competitive position amidst changing consumer behavior and intense market competition. Finally, the integration of entrepreneurial orientation, organizational capabilities, and market innovation contributes to the formation of sustainable competitive advantage, which reflects the company's ability to sustainably maintain strategic superiority in an ever-evolving business environment.

#### **4. Strengthening Sustainable Competitive Advantage through Strategic Innovation**

Intensifying business competition in recent decades has prompted organizations to re-examine how they build and maintain long-term competitive positions. A business environment characterized by rapid technological developments, shifting consumer preferences, and increasing global market mobility means companies can no longer rely solely on temporary advantages. Many organizations recognize that long-term success is significantly influenced by their ability to formulate strategies that maintain a sustainable position amidst constantly changing competitive dynamics. In such a situation, companies need to develop a strategic approach that is not only oriented toward achieving short-term performance but also creates a strong foundation for the organization's sustainable development in the future.

Maintaining a long-term competitive position requires organizations to consistently evaluate their strategies. As the business environment continues to change, previously effective strategies may not always deliver the same results in the future. Therefore, organizations need to develop mechanisms that allow them to periodically review the direction of their corporate strategy development. This evaluation process provides companies with the opportunity to identify various factors that can influence their competitive position in the market and formulate strategic steps that can strengthen the organization's competitiveness in the face of increasingly complex industry dynamics.

In this context, a company's efforts to create sustainable market differentiation are crucial. Differentiation is not only related to the characteristics of the product offered to consumers, but also encompasses various other dimensions that can provide added value to the market. Organizations that are able to create strong differentiation are typically able to attract consumers more effectively than competitors offering relatively similar products or services. Sustainable differentiation also enables companies to build stronger relationships with customers, as their products or services are perceived as unique and difficult to replace by other alternatives in the market.

The process of creating sustainable market differentiation is often closely linked to an organization's ability to develop business strategies that respond to the

dynamics of global competition. Globalization has created a much more open competitive environment than before, requiring companies to compete not only with local actors but also with organizations from various countries possessing varying resources and capacities. In these conditions, companies need to develop business strategies that strengthen their position in an increasingly competitive market. These strategies can include various efforts to expand market reach, strengthen customer relationships, and enhance the organization's ability to respond to changes occurring in the industry environment.

Developing business strategies to face global competition also requires organizations to be able to understand the direction of international market developments. As geographic boundaries in economic activity become increasingly blurred, companies need to understand the various external factors that can influence global market dynamics. Information regarding technological developments, changes in consumer consumption patterns, and competitor movements within the industry are crucial aspects to consider in the business strategy formulation process. By understanding these dynamics, organizations can design more appropriate strategic steps to address competitive pressures emerging from various directions.

In an effort to maintain a sustainable competitive position, strategic innovation also plays a crucial role in maintaining the stability of organizational performance. Strategic innovation enables companies to continuously update their approaches to conducting business activities. When companies are able to develop various forms of innovation within their strategies, they have a greater chance of maintaining their relevance amidst the rapidly changing business environment. Innovation in business strategy not only serves to create new growth opportunities but can also help companies anticipate various challenges arising from the dynamics of industry competition.

The role of strategic innovation in maintaining stable organizational performance is also evident in how companies capitalize on opportunities arising from changes in the business environment. Organizations capable of developing innovative strategic approaches are typically better able to identify opportunities that can be exploited to strengthen their market position. Through strategic innovation, companies can create new initiatives that enable them to enhance the value offered to consumers. These efforts not only contribute to improved organizational performance in the short term but can also strengthen the foundation for sustainable business development in the long term.

Furthermore, an organization's ability to adapt to the dynamics of changing business environments is also a crucial factor in strengthening sustainable competitive advantage. The modern business environment is characterized by increasing levels of uncertainty, requiring companies to have the ability to respond quickly and appropriately to these changes. Organizational adaptation to environmental change relates not only to the company's ability to adjust its strategies but also to how the organization develops work patterns that enable it to respond more flexibly to market

dynamics. Companies with high adaptability are typically able to adjust the direction of their business development in line with changes in the industry environment.

Organizational adaptability also reflects how a company manages the learning process from the various experiences it gains in conducting business activities. Organizations that are able to leverage these experiences as a source of learning typically have a greater capacity to improve their strategies. Through continuous learning, companies can identify effective business practices while avoiding approaches that yield less than optimal results. This process enables organizations to continuously update their business strategies to remain relevant to increasingly dynamic market environments.

**Table 1. Strategic Innovation Dimensions**

<b>Strategic Dimension</b>	<b>Organizational Focus</b>	<b>Expected Outcome</b>
Strategic Innovation	Development of new strategic initiatives	Strengthened market position
Market Differentiation	Unique value creation for customers	Competitive advantage
Global Strategy Development	Expansion into competitive markets	Long-term sustainability
Organizational Adaptation	Strategic adjustment to market dynamics	Stable organizational performance

## E. CONCLUSION

Increasingly complex business competition demands that organizations develop more adaptive and innovative strategies to maintain sustainable competitive advantage. Entrepreneurial orientation plays a crucial role in encouraging organizations to be more proactive in responding to changes in the business environment, particularly through the ability to identify market opportunities, take strategic initiatives, and formulate decisions that strengthen the company's competitive position. In this context, an organization's ability to develop various forms of market innovation becomes increasingly relevant, particularly when companies are faced with increasingly dynamic changes in consumer behavior and increasing competition in various industrial sectors. Furthermore, an organization's success in integrating entrepreneurial orientation with market innovation is inseparable from the company's internal capacity. An organizational structure that supports flexibility, responsive decision-making patterns, effective coordination between organizational units, and appropriate resource management is a crucial element in supporting the development of innovative business strategies. Furthermore, an adaptive organizational culture also plays a role in creating a work environment that encourages the emergence of new ideas and strengthens the organization's ability to respond to various changes occurring in the business environment. The integration of these various aspects enables companies to develop

more comprehensive strategies in the face of ever-evolving market dynamics. Ultimately, strengthening sustainable competitive advantage requires organizations to consistently update their strategic approaches. By developing innovation-oriented strategies, companies can create stronger market differentiation while maintaining long-term organizational performance stability. An organization's ability to adapt to changes in the business environment and capitalize on opportunities arising from market dynamics is a crucial foundation for sustainable corporate development amidst increasingly intense global competition. Therefore, integrating entrepreneurial orientation, market innovation, and the organization's capacity to manage business strategies adaptively can be a key factor in sustainably strengthening a company's competitive position.

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