

ABSTRACT

This study aims to develop a contextual model based on competitive advantage. Competitive advantage itself as a bridge in order to improve MSME business performance. There are 213 MSME owners and MSME managers involved in this research activity. Structural Equation Modeling (SEM) method was adopted as software to assist in testing models and hypotheses. Structural Equation Modeling (SEM) analyzed 213 questionnaires. The findings in this study are that partnerships have no effect on marketing capabilities, and marketing capabilities have no effect on MSME performance. Market orientation affects marketing capabilities, partnerships and marketing capabilities affect competitive advantage, and competitive advantage affects business performance, so this can be used as input for MSME managers to be able to benefit from the competitive advantages they have. Rejection of the hypothesis provides space for further research. sampling the FnB MSME sector limits the power of the concept of generalizing competitive advantage, which then requires replication to reach even broader generalizations. Theoretical implications of this research relate to strengthening the application of the resource-advantage theory of competition in marketing studies. There are practical managerial implications for MSME entrepreneurs who want to improve business performance. The conceptual model of this research was tested on a sample of MSMEs in the food and beverage sector in the city of Semarang

Keywords: *Market orientation, partnership, marketing capabilities, competitive advantage, business performance.*

