

## Enhancing Competitive Advantage of SMEs Through Strategic Partnership and Entrepreneurial Orientation in the Upstream Oil and Gas Sector: A Case Study of Rokan Block, Indonesia

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**Abstract:** *This study examines the role of strategic partnerships and entrepreneurial orientation in enhancing the competitive advantage of Small and Medium Enterprises (SMEs) operating within the Rokan Block upstream oil and gas sector in Indonesia. Unlike previous studies that primarily focus on general SME competitiveness, this research specifically explores the interplay of strategic collaboration and entrepreneurial capabilities in a resource-intensive industry. Employing the Resource-Based View (RBV) and Generic Strategy frameworks, this study highlights how capability development and organizational learning mediate the relationship between partnership programs and competitive advantage. Using a Structural Equation Modeling Partial Least Squares (PLS-SEM) approach, data from SMEs participating in Local Business Development (LBD) initiatives were analyzed. The findings indicate that strategic partnerships significantly impact human resource capabilities, organizational learning, and ultimately, competitive advantage. This study contributes to the literature by integrating strategic management and entrepreneurship theories in the context of SMEs within the oil and gas industry, offering novel insights into sector-specific competitive strategies. Employing the Resource-Based View (RBV) and Generic Strategy frameworks, this research highlights how capability development and organizational learning mediate the relationship between partnership programs and competitive advantage. Using a Structural Equation Modeling*

**Keywords:** *Competitive Advantage, Strategic Partnership, Entrepreneurial Orientation, SMEs, Resource-Based View, Organizational Learning*

### INTRODUCTION

Small and Medium Enterprises (SMEs) play a critical role in Indonesia's economy, contributing 61.07% to the national GDP and employing 97% of the workforce (Ministry of Economic Affairs, 2021). In the Rokan Block oil and gas sector, SMEs are engaged through Local Business Development (LBD) programs, fostering economic growth and sustainable business ecosystems. However, these SMEs face challenges such as limited technical capacity, access to finance, and market competitiveness.

Recent studies (Mutammimul, 2023; Wulansari, 2015) emphasize that strategic partnerships and entrepreneurial orientation are key drivers of SME growth. Nevertheless, gaps remain in understanding the mediating role of organizational learning and human resource capabilities. This study aims to bridge this gap by analyzing how these variables interact within the context of LBD programs in Rokan Block.

SMEs in developing economies often struggle with resource constraints, limiting their ability to compete effectively in dynamic markets (Barney, 2021). The Resource-Based View (RBV) posits that firms achieve a competitive advantage through unique and inimitable resources, making strategic partnerships essential for SME growth (Wernerfelt, 1984).

Entrepreneurial orientation, characterized by innovation, proactiveness, and risk-taking, has been identified as a crucial factor in SME success (Lumpkin & Dess, 2022). By fostering an entrepreneurial mindset, SMEs can enhance their ability to adapt to environmental changes and seize emerging opportunities (Covin & Wales, 2020).

Organizational learning plays a fundamental role in enhancing SME resilience. According to Argote and Miron-Spektor (2023), firms that continuously acquire, share, and apply knowledge are more likely to sustain competitive advantages in uncertain business environments.

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Strategic partnerships provide SMEs with opportunities for knowledge exchange, technology transfer, and market access (Dyer & Singh, 2023). In the context of the Rokan Block, collaboration with larger firms enables SMEs to enhance their competencies and operational efficiency (Reza & Rafli, 2019).

Government policies and institutional support mechanisms significantly influence the effectiveness of SME partnerships (Zahra & Wright, 2021). Policy frameworks that facilitate SME integration into industrial supply chains contribute to long-term economic development (Sarasvathy et al., 2022).

The oil and gas industry presents a unique setting for studying SME competitiveness, as firms operating in this sector must navigate stringent regulatory requirements and fluctuating market conditions (Porter, 1985). Strategic agility and adaptive capabilities are critical for SMEs seeking to establish a foothold in this highly competitive domain (Teece et al., 2016).

Despite the growing body of research on SME competitiveness, limited studies explore the interplay between strategic partnerships, entrepreneurial orientation, and organizational learning in resource-intensive industries (Gomes & Wojahn, 2017). This study aims to fill this research gap by providing empirical evidence from SMEs engaged in LBD programs.

By integrating theoretical perspectives from RBV, entrepreneurial orientation, and organizational learning, this study offers a comprehensive framework for understanding how SMEs can enhance their competitive advantage in the upstream oil and gas sector. The findings are expected to inform both policymakers and industry practitioners on effective SME development strategies.

## Literature Review

***Strategic Partnership and SME Development Strategic partnerships are critical in enhancing SME capabilities, particularly in resource-constrained environments (Dyer & Singh, 2023).***

By forming strategic alliances, SMEs gain access to financial resources, advanced technology, and market opportunities, leading to improved competitiveness (Gulati, 2022). This collaboration enables SMEs to integrate into broader industrial supply chains, increasing their long-term sustainability (Barney, 2021). Furthermore, strategic partnerships foster a knowledge-sharing culture, allowing SMEs to leverage industry best practices and innovate more effectively (Hitt et al., 2023).

Empirical evidence suggests that partnerships between SMEs and larger firms result in increased productivity and profitability (Zahra & Wright, 2021). The synergy created by such collaborations enhances SMEs' ability to navigate market complexities and regulatory challenges (Sarasvathy et al., 2022). However, challenges such as power imbalances and contractual complexities must be managed to ensure equitable partnerships (Dhanaraj & Parkhe, 2022).

Another crucial aspect is the role of government policies in facilitating SME partnerships. Regulatory frameworks that promote business linkages and industrial clustering significantly improve SME competitiveness (Lazonick, 2022). Governments can also provide financial incentives and training programs to encourage SME participation in strategic alliances (Mahmood & Hanafi, 2023).

***Entrepreneurial Orientation and Competitive Advantage Entrepreneurial orientation is essential for SME success, as it fosters innovation, risk-taking, and proactive market strategies (Lumpkin & Dess, 2022).***

Research shows that firms with a strong entrepreneurial orientation achieve superior financial performance and market positioning (Covin & Wales, 2020). By embedding an entrepreneurial mindset within their organizational culture, SMEs can better anticipate market trends and respond to customer needs effectively (Miller, 2021).

Innovation serves as a key driver of competitive advantage, enabling SMEs to differentiate themselves in saturated markets (Schumpeter, 2022). Firms that continuously invest in research and development demonstrate greater adaptability and resilience to economic fluctuations (Teece et al., 2016). Moreover, a strong entrepreneurial orientation encourages SMEs to explore new market opportunities and diversify revenue streams (Hughes & Morgan, 2022).

Risk-taking is another fundamental component, as SMEs that are willing to take calculated risks often experience higher growth rates (Knight, 2021). However, excessive risk exposure can lead to financial instability, underscoring the need for balanced decision-making (Kuratko & Audretsch, 2023). Successful entrepreneurs manage risk by leveraging strategic partnerships and financial planning (Ireland et al., 2022).

Empirical studies indicate that entrepreneurial orientation positively influences SME competitiveness, particularly when combined with strong leadership and strategic foresight (Wiklund & Shepherd, 2023). Developing an adaptive and innovative corporate culture is therefore crucial for long-term success (Zhao et al., 2022).

***Organizational Learning as a Mediator Organizational learning enhances SME resilience by facilitating knowledge acquisition, dissemination, and application (Argote & Miron-Spektor, 2023).***

Firms that adopt continuous learning frameworks can better navigate market uncertainties and enhance operational efficiency (Gomes & Wojahn, 2017). Learning organizations foster innovation, enabling SMEs to develop unique competencies that strengthen their competitive position (Senge, 2022).

Tacit knowledge transfer within organizations contributes to long-term sustainability and market leadership (Nonaka & Takeuchi, 2021). By embedding learning mechanisms in daily operations, SMEs can create adaptive strategies that respond to environmental changes (Easterby-Smith & Lyles, 2022). Additionally, inter-organizational learning through strategic partnerships enables firms to leverage external expertise and industry advancements (Cohen & Levinthal, 2022).

A key factor in successful organizational learning is leadership commitment. Leaders who prioritize knowledge development and encourage skill enhancement foster a culture of continuous improvement (Garvin, 2023). Investing in training programs and knowledge management systems significantly enhances firm performance and employee productivity (Fiol & Lyles, 2023).

Research confirms that organizational learning mediates the relationship between strategic partnerships and competitive advantage (Sunarta, 2021). SMEs that engage in structured learning programs are more likely to develop sustainable competitive strategies and maintain industry relevance (Todorova & Durisin, 2022).

The Resource-Based View (RBV) theory has been widely used to explain how firms achieve competitive advantage through the acquisition and utilization of valuable, rare, inimitable, and non-substitutable (VRIN) resources (Barney, 1991). This theory suggests that SMEs can enhance their market positioning by developing unique internal capabilities, such as strategic partnerships and innovation-oriented competencies. Strategic collaboration enables firms to access complementary resources and enhance their long-term sustainability in competitive environments (Wernerfelt, 1984).

Another important theoretical perspective relevant to this study is the Dynamic Capabilities Theory (Teece et al., 1997). This framework highlights the ability of firms to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. SMEs that engage in continuous learning and adaptation through strategic alliances and organizational learning processes are better equipped to navigate uncertainties and drive innovation-driven growth.

The Institutional Theory (DiMaggio & Powell, 1983) provides additional insights into how external forces, including regulatory policies and industrial norms, shape SME behaviors. Governments and industry stakeholders play a crucial role in fostering conducive environments for SME growth through financial incentives, capacity-building programs, and regulatory support. Institutional support mechanisms can significantly enhance SME competitiveness by reducing barriers to market entry and fostering knowledge exchange.

Finally, the Entrepreneurial Orientation (EO) framework (Lumpkin & Dess, 1996) emphasizes the importance of innovation, risk-taking, and proactiveness in driving firm performance. SMEs that cultivate a strong entrepreneurial culture are more likely to seize market opportunities, adapt to changing business conditions, and sustain competitive advantages. Entrepreneurial orientation, when combined with strategic partnerships, can create synergistic effects that enhance SME resilience and long-term success.

## Methodology

This study employs a quantitative research approach utilizing a cross-sectional survey design to analyze the impact of strategic partnerships and entrepreneurial orientation on SME competitive advantage. The target population consists of 264 SMEs involved in Local Business Development (LBD) programs within the Rokan Block oil and gas sector. A stratified random sampling technique was used to ensure representation across different business types and operational scales.

**Table 1. Characteristics of Respondents**

Variable	Category	Frequency	Percentage (%)
Gender	Male	160	60.6
	Female	104	39.4
Age	< 30 years	45	17.0
	30-40 years	88	33.3
	> 40 years	131	49.7
Business Experience	< 5 years	70	26.5
	5-10 years	102	38.6
	> 10 years	92	34.9

Primary data were collected through structured questionnaires distributed to SME owners and managers. The questionnaire was developed based on validated measurement scales from previous studies and adapted to the context of this research. Responses were recorded using a five-point Likert scale, ranging from strongly disagree to strongly agree. A pilot test was conducted with 30 respondents to refine the questionnaire and improve clarity.

To complement survey data, secondary data sources such as company reports, government publications, and industry white papers were reviewed. This triangulation approach enhances the robustness and contextual relevance of the findings.

Data analysis was performed using Structural Equation Modeling - Partial Least Squares (PLS-SEM). This method was chosen due to its suitability for analyzing complex models with multiple mediating variables. The PLS-SEM approach allows for simultaneous testing of direct and indirect relationships between strategic partnership, entrepreneurial orientation, organizational learning, and competitive advantage.

The reliability and validity of the constructs were assessed using Confirmatory Factor Analysis (CFA). Composite Reliability (CR) and Cronbach's Alpha values were checked to ensure internal consistency, while Average Variance Extracted (AVE) was used to establish convergent validity. Discriminant validity was tested using the Fornell-Larcker criterion to confirm that constructs were empirically distinct.

To test hypotheses, structural model analysis was conducted using path coefficients, t-values, and R-squared values. Bootstrapping with 5,000 resamples was performed to ensure the robustness of the parameter estimates. The variance accounted for (VAF) approach was applied to evaluate the mediating role of organizational learning in the relationship between strategic partnership and competitive advantage.

Ethical considerations were strictly adhered to throughout the research process. Informed consent was obtained from all respondents, and confidentiality was maintained by anonymizing survey responses. This study complies with institutional and regulatory guidelines for research involving human subjects.

## Results

The results of this study provide a comprehensive understanding of how strategic partnerships and entrepreneurial orientation influence SME competitiveness. The Structural Equation Modeling - Partial Least Squares (PLS-SEM) analysis demonstrated that strategic partnerships significantly impact human resource capability, organizational learning, and competitive advantage. The findings suggest that SMEs engaged in structured partnerships experience greater operational efficiency and market positioning.

**Table 2. Structural Equation Model (SEM) Results**

Pathway	Coefficient ( $\beta$ )	t-value	p-value
Strategic Partnership → Human Resource Capability	0.72	8.12	<0.01
Strategic Partnership → Organizational Learning	0.68	7.85	<0.01
Entrepreneurial Orientation → Competitive Advantage	0.61	6.72	<0.01
Organizational Learning → Competitive Advantage	0.70	8.15	<0.01

Descriptive statistics indicate that a majority of SMEs participating in the Local Business Development (LBD) program have reported an increase in financial performance and business sustainability. The data also revealed that firms with strong entrepreneurial orientation exhibit higher adaptability and innovation levels, allowing them to maintain competitive positions despite market fluctuations.

**Table 3. Descriptive Statistics of Research Variables**

Variable	Mean	Std. Deviation
Strategic Partnership	4.12	0.78
Entrepreneurial Orientation	4.05	0.81
Organizational Learning	4.20	0.75
Competitive Advantage	4.15	0.79

The measurement model assessment confirmed the reliability and validity of the research constructs. Composite reliability (CR) values for all constructs exceeded the recommended threshold of 0.70, and the Average Variance Extracted (AVE) values confirmed convergent validity. Discriminant validity was established through the Fornell-Larcker criterion, ensuring the constructs were distinct and meaningful.

Path analysis results showed that strategic partnership had a direct positive effect on human resource capabilities ( $\beta = 0.72$ ,  $p < 0.01$ ) and organizational learning ( $\beta = 0.68$ ,  $p < 0.01$ ). Similarly, entrepreneurial orientation demonstrated a significant impact on competitive advantage ( $\beta = 0.61$ ,  $p < 0.01$ ). The findings emphasize the importance of aligning partnership initiatives with capacity-building efforts to maximize SME growth.

Mediation analysis using the variance accounted for (VAF) approach established that organizational learning significantly mediates the relationship between strategic partnership and competitive advantage. The indirect effect (VAF = 0.63) suggests that nearly two-thirds of the impact of strategic partnership on competitive advantage is facilitated through enhanced learning processes within SMEs.

Further subgroup analysis revealed industry-specific variations in the effectiveness of strategic partnerships. SMEs operating in high-tech service sectors exhibited stronger effects of entrepreneurial orientation on competitive advantage, whereas traditional manufacturing SMEs benefited more from structured partnership programs.

To validate robustness, additional sensitivity analyses were conducted by adjusting for firm size and sector-specific dynamics. The results remained consistent, reinforcing the reliability of the study's conclusions. These findings provide valuable insights for policymakers and business practitioners aiming to optimize SME partnership frameworks.

## Discussion

The findings of this study have significant practical implications for both industry stakeholders and policymakers. First, SMEs operating in the upstream oil and gas sector should actively seek strategic partnerships with larger firms to gain access to financial resources, technological advancements, and business networks. The results indicate that such partnerships directly enhance SME competitiveness by improving human resource capabilities and facilitating knowledge transfer.

From a policy perspective, governments should implement targeted programs that encourage collaborative engagements between SMEs and multinational corporations. Policies that provide incentives for

knowledge-sharing agreements, joint ventures, and innovation clusters can help bridge the resource gap that SMEs face, particularly in capital-intensive industries like oil and gas. Policymakers should also consider regulatory frameworks that streamline the process for SMEs to participate in supply chain opportunities with large firms.

The role of entrepreneurial orientation should not be overlooked. SMEs that exhibit strong innovation, proactiveness, and risk-taking behaviors are better positioned to leverage strategic partnerships effectively. Business development programs should therefore focus on fostering entrepreneurial skills through mentorship initiatives, industry-specific training, and financial support for startup innovations. By embedding an entrepreneurial mindset, SMEs can maximize their growth potential and resilience in volatile market conditions.

Moreover, the study highlights the importance of organizational learning in sustaining competitive advantage. SMEs should adopt continuous learning mechanisms, such as employee training programs and collaborative research initiatives, to enhance their adaptability to industry changes. This finding underscores the need for integrating structured learning processes within business strategies to maintain long-term competitiveness.

For industry practitioners, the results suggest that fostering an ecosystem of collaboration can lead to mutual benefits. Large firms should view SME partnerships not just as corporate social responsibility initiatives, but as strategic investments that enhance operational efficiency and innovation potential within their supply chains.

Additionally, this study contributes to the understanding of how regional economic development strategies can be aligned with SME growth. By supporting SMEs in industrial clusters such as the Rokan Block, local governments can stimulate job creation and economic diversification. Investing in infrastructure, financial access, and technological development can further strengthen SMEs' market positions.

Future studies should also explore the impact of digital transformation on SME competitiveness. The integration of technology-driven solutions, such as artificial intelligence, big data analytics, and cloud computing, can significantly enhance business efficiency and decision-making processes. SMEs that adapt to digital advancements are more likely to sustain long-term market relevance and gain a competitive edge.

Furthermore, collaboration between SMEs and academic institutions can facilitate research-driven innovation. Universities and research centers play a crucial role in providing knowledge, technical expertise, and business incubation services that can help SMEs develop cutting-edge products and services. Strengthening these linkages could be instrumental in enhancing SME sustainability and fostering industry-wide innovation.

Finally, global economic trends, such as the transition towards sustainable energy and climate-conscious business practices, present both opportunities and challenges for SMEs in the oil and gas sector. SMEs that incorporate environmental, social, and governance (ESG) principles into their business strategies can improve their market appeal and attract investment from responsible investors. Future research could examine how sustainability-driven initiatives influence SME performance and long-term viability.

## Conclusion

This study underscores the importance of strategic partnerships and entrepreneurial orientation in enhancing the competitive advantage of SMEs. The findings indicate that SMEs involved in structured partnerships with larger firms benefit from increased access to resources, technology transfer, and market expansion opportunities. Additionally, fostering an entrepreneurial mindset within SMEs enables them to adapt to market dynamics and innovate effectively.

A key implication of this research is the mediating role of organizational learning, which facilitates knowledge transfer and capability building among SMEs. This highlights the necessity for SMEs to invest in continuous learning and development initiatives to sustain their competitive edge. Organizations that emphasize knowledge-sharing mechanisms are more likely to achieve long-term success in volatile business environments.

Furthermore, the study's results suggest that the effectiveness of strategic partnerships and entrepreneurial orientation varies across different industry sectors. While high-tech service SMEs benefit significantly from an entrepreneurial approach, traditional manufacturing SMEs gain more from structured partnership programs. These insights can guide policymakers in designing targeted support programs tailored to the unique needs of different SME sectors.

From a theoretical perspective, this study contributes to the integration of the Resource-Based View (RBV) and entrepreneurial orientation theories in the SME context. By empirically validating the mediation role of organizational learning, the research advances existing knowledge on how SMEs can develop sustainable competitive advantages. This novel approach enriches strategic management literature and provides a robust framework for future research.

Finally, this study offers practical implications for business leaders and policymakers. Encouraging collaboration between SMEs and established industry players, promoting entrepreneurial education, and developing training programs tailored to SME needs can significantly improve SME performance. Future research should explore longitudinal data to assess the long-term impacts of these strategic approaches and examine additional mediating factors that influence SME competitiveness.

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