




Unleashing marketing performance: The role of entrepreneurial orientation, innovation, and competitive advantage

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ABSTRACT

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The study aims to examine the direct influence of entrepreneurial orientation on marketing performance and the indirect effect through innovation and competitive advantage among small and medium enterprises (SMEs) in Indonesia. Employing a quantitative method, self-administered questionnaires were distributed to business actors of SMEs in Indonesia. The targeted populations were business actors in the culinary field based on local wisdom with a total of 233 SMEs. The sample was determined using simple random sampling of 150 respondents. The retrieved data from respondents were further analyzed using structural equation modeling through the IBM-SPSS-AMOS package. The study's finding indicates that there is a robust relationship between entrepreneurial orientation, innovation, and competitive advantage. This study also found a direct effect between innovation, competitive advantage, and marketing performance among SMEs in Indonesia. This result also confirmed the role of innovation and competitive advantage in bridging the relationship between entrepreneurial orientation and marketing performance. Hence, understanding this framework will enable policy scholars and the government to enlarge the competitiveness of SMEs in Indonesia and diminish socioeconomic issues. The government and policymakers can create an ecosystem that supports the development of entrepreneurial orientation and innovation among SMEs in Indonesia through training and mentoring programs that increase entrepreneurial capabilities.

Contribution/Originality: There is limited research concerned with the impact of entrepreneurial orientation and marketing performance despite the increasing number of studies of this theme. This study aims to fill these gaps and involve competitive advantage and innovation as mediators.

1. INTRODUCTION

Small and medium enterprises (SMEs) are globally significant and are characterized by the sector, which has tremendous roles in economic development, including in Indonesia (Retnaningdiah & Muafi, 2022). Scholars have recognized SMEs among scholars as a major contributor to the Indonesian economy and have even weathered the recession (Marconatto, Teixeira, Peixoto, & Faccin, 2022; Surya et al., 2022). In Indonesia, SMEs comprise 61% of more than 19.5 million businesses. 97% of the labor force is employed in the gross domestic product (BPS, 2020). In the post-pandemic, SMEs face numerous obstacles, including lower revenue, lower capital, more difficult distribution, harder access to raw materials, lower output, and employee layoffs (Nursini, 2020). In this scenario, enhancing marketing performance (MP) is critical to the success of SMEs strategies.

Marketing strategy is often linked with SMEs' performance. Some studies noted that product innovation and effective marketing can raise the market acquiring higher revenues (Edeh, Olayinka, & Akanbi, 2020; Sumathi & Padhy, 2024). Furthermore, marketing can help SMEs understand what the market wants and needs and promote business sustainability to be more competitive in this digital era. SMEs must focus on several efforts to reach MP (Tolstoy, Nordman, & Vu, 2022). The integration of competitive advantage (CA) and MP is a strategic approach and is significant in managing modern business (Farida & Setiawan, 2022). The aforementioned study remarked that the CA covers several unique aspects that differ from other business competitors. Understanding CA will drive SMEs to reach MP with this involvement.

Entrepreneurial orientation (EO) supports innovation (IN) and MP (Heng & Afifah, 2020) in addition to competitive advantage. The underlying reason is that EO is acquainted with proactive behavior, innovation, creativity, and organizational culture necessary for marketing performance (Rafiki, Nasution, Rossanty, & Sari, 2023). In this context, EO enables SMEs to immediately respond to market changes due to the advancement of technology and digitalization (Zighan, Abualqumboz, Dwaikat, & Alkalha, 2022). As a result, the enhancement of market orientation will be disclosed by the product innovation and differentiation that covers the market. Preliminary scholars also noted that EO drives more flexibility in marketing strategy to adapt to consumer preferences (Ferreira, Coelho, & Moutinho, 2020; Heng & Afifah, 2020).

The matter of understanding MP has raised the studies in this theme in recent years. Many scholars have examined how MP enhances SMEs' performance and business sustainability. Unfortunately, there is a paucity of knowledge concerning marketing strategies using social media and technology (e.g., Chatterjee & Kar, 2020; Civelek, Gajdka, Světlík, & Vavrečka, 2020). The majority of studies partially examined variables in this study. Handayani and Wati (2020) demonstrated that the entrepreneurial approach favorably affects CA, while Al Mamun, Azam, and Gritti (2022) noted the important relationship between EO and product innovation. There is limited research concerned with the impact of EO and MP. This study aims to fill these gaps and involve CA and IN as mediators.

This study will provide some unique contributions to diverse knowledge. This present work contributes to the literature on marketing and management by providing a structural model and involving competitive advantage and innovation as mediators. In addition, integration of this complex model can help SMEs to better sustain these market changes and the digital era. This study offers a thorough framework to comprehend how entrepreneurial orientation can be transformed into marketing performance and provides a unique contribution to the Indonesian context in which the Indonesian economy is promoted by SMEs.

The paper is presented as follows: The next section deals with a literature review and hypotheses development followed by methodology to confirm the research questions. The next section provides the statistical results and discussion. The last section concludes the findings and offers implications for literature and practice.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. Entrepreneurial Orientation, Innovation, and Competitive Advantage

The relationship between entrepreneurial orientation (EO) and innovation has been a focus among scholars and academicians. A preliminary study by Pozzo et al. (2023) investigated the relationship between EO and innovation (IN) among SMEs in Latin American nations and showed a high level of EO will drive innovation at all stages of business. The role of innovation provides business advantages compared to competitive ones. Si, Hall, Suddaby, Ahlstrom, and Wei (2023) noted that entrepreneurial activities need to integrate IN in the current digital era to have a competitive advantage (CA). IN will be more efficient and effective if it collaborates with technology when implemented. Daradkeh and Mansoor (2023) stated that EO can raise innovation to develop better and is essential for innovation in SMEs.

EO also promotes the competitive advantages of SMEs (Tajeddini, Gamage, Tajdini, Qalati, & Siddiqui, 2023) in addition to affecting IN. EO is elucidated as a concept that refers to an entrepreneurial lifestyle that covers several dimensions, such as innovation, proactivity, risk-taking, autonomy, and competitive aggressiveness. A preliminary study pointed out that EO strengthens CA in business, including superior product quality and business processes (Liao & Suprpto, 2024). Furthermore, a startup business is synonymous with innovative ideas that are different from those of its competitors to reach business sustainability (Azmat, Lim, Moyeen, Voola, & Gupta, 2023). For this reason, SMEs can integrate EO to contribute to superior performance in dealing with this complex environment. Therefore, the hypotheses are proposed below.

H₁: Entrepreneurial orientation influences innovation.

H₂: Entrepreneurial orientation promotes competitive advantage.

2.2. Innovation, Competitive Advantage, and Marketing Performance

Innovation is important to escalate competitiveness and has the potential to enhance company performance (Ferreira et al., 2020). A series of innovations implemented in an organization contributes to improve performance. Some studies noted that innovation enables SMEs to respond to the market changes and consumer preferences, which in turn can affect marketing performance (Cadden, Weerawardena, Cao, Duan, & McIvor, 2023; Lew, Zahoor, Donbesuur, & Khan, 2023). Innovation in fields where it can have a significant economic impact and boost employment and productivity in SMEs should be prioritized (Shkabatur, Bar-El, & Schwartz, 2022). Furthermore, Larios-Francia and Ferasso (2023) stated that product innovation and process innovation must collaborate well to have an impact on MP.

Innovation is either in the products produced or innovation in processes that are faster, more efficient and effective (Akhmetshin, Melikhov, & Antonov, 2024). Literature also indicated that competitive advantage stimulates the MP of SMEs. Ngo, Leonidou, Janssen, and Christodoulides (2024) mentioned that the success of SMEs in Vietnam requires a competitive edge to become more competitive to obtain superior accomplishments. Furthermore, Wongsansukcharoen and Thaweepaiboonwong (2023) stated that CA has a strong relationship with MP in the SMEs sector. Later, some studies confirmed that CA promotes MP (Arbawa & Wardoyo, 2018; Fatmawati, Pradhanawati, & Ngatno, 2016). This proves that CA is prominent in supporting MP. Therefore, the hypotheses are provided below.

H₃: Innovation promotes marketing performance.

H₄: Competitive advantage affects marketing performance.

2.3. The Mediating Role of Innovation and Competitive Advantage

A previous work by Pan, Zhang, and Zhang (2024) mentioned that EO accompanied by innovation will produce a positive path on performance in the current economic context. EO requires innovation as a way to reach performance (Fan et al., 2021). This means that EO should be integrated with innovation. This is essential to accelerate and maximize company performance. Nizam, Mufidah, and Fibriyani (2020) suggested that business actors should make EO the foundation for building innovation. Daradkeh and Mansoor (2023) stated that innovation can mediate the relationship between EO and MP, especially in the business growth process.

In addition, the entrepreneurial approach is a major stimulant for marketing performance both directly and indirectly through competitive advantage (Merakati, Rusdarti, & Wahyono, 2017). CA is robustly linked with EO. The impact of EO on MP has been demonstrated to be significantly mediated by CA (Hajar & Sukaatmadja, 2016). Fatmawati et al. (2016) remarked that improved EO will boost competitive advantage and MP. Moreover, EO significantly affects CA (Arbawa & Wardoyo, 2018). The aforementioned studies suggested that CA may operate as a mediator element between the entrepreneurial approach and MP of SMEs.

H₅: Innovation mediates the relationship between entrepreneurial orientation and marketing performance.

H₀: Competitive advantage mediates the relationship between entrepreneurial orientation and marketing performance.

3. METHODOLOGY

3.1. Research Design

The research was designed in an explanatory manner with descriptive causality used to obtain clarity between variables (Bougie & Sekaran, 2019). This study incorporated structural equation modeling (SEM) to investigate the relationship between EO and MP as well as to comprehend the mediating role of IN and CA. The involvement of SEM is common in dealing with multivariate analysis and verifying direct and indirect estimations (Heryanto, Tambun, Pramono, Priyanti, & Siregar, 2023).

3.2. Population and Sample

This study focused on analyzing MP, EO, CA, and IN, which collected data from SMEs in Bogor Regency in Indonesia. The concerned study in this area is reasonable because SMEs in Bogor have experienced a dramatical change in total sales from the pandemic to the present compared to other areas in Indonesia. The targeted populations in this study were business actors in culinary based on local wisdom with a total of 233 SMEs. The sample was determined using simple random sampling of 150 respondents. The primary criteria for selecting respondents include SMEs that have operated their business for at least two years considering they have prior business experience and are already familiar with managing firms. The data were obtained in October and November 2023, as it is the end of the year for estimating performance. During the process, we eliminated seven incomplete responses. Thus, we used 143 valid questionnaires for analysis.

3.3. Measurement

The research model consists of four variables. First, EO as an exogenous variable is measured by four indicators, namely proactive, risk-taking, competitive and aggressive consisting of ten items from Kuckertz, Berger, and Allmendinger (2015). Second, IN as a mediating variable is measured using four indicators, namely product innovation, process innovation, marketing innovation and management innovation. In this research, we adopted eight items from Rogers and Williams (1983). Third, CA as a mediating variable is measured using three indicators, namely supporting factors, company strategy, and competition. In this study, we adopted seven items from Kotler, Keller, Ang, Tan, and Leong (2018). Lastly, MP as an endogenous variable is measured using three indicators, namely sales growth, profits and market share, consisting of seven items from Bonifacio, Kerin, Hartley, Rudelius, and Clements (2015).

3.4. Data Analysis

In terms of data analysis, we used SEM with IBM-SPSS-AMOS version 24 and go behind the procedures of Anderson and Gerbing (1988) covering the measurement model and structural model. The use of AMOS enables confirmatory study instead of developing new constructs. The measurement model is provided to check the validity and reliability estimation goodness of fit (Gof) testing (Byrne, 2001). This estimates convergent validity, discriminant validity, and construct reliability. This study provides the final model and estimates the direct effect and indirect effect as well as mediating analysis after completing the model fit.

4. RESULTS AND DISCUSSION

4.1. Measurement Model

Testing the research model starts with testing the normality of the data. The result is normal data because it produces a critical ratio of 2.345 which is between -2.58 and 2.58. The Mahalanobis distance results show that the p1 and p2 values are all above 0.001, which means the data does not experience outlier problems. The determinant

of the sample covariance matrix shows a result of 0.015, indicating there is no multicollinearity, which implicates that this data is suitable for use. The measurement model is provided to determine the model fit that can be used for further analysis. The model has been witnessed to be fit and good when several indicators, such as the Tucker–Lewis index (TLI) and comparative fit index (CFI) need to be above 0.9, the Goodness of Fit Index (GFI) needs to be more than 0.8, and the root mean square error of approximation (RMSEA) needs to be below 0.08. As illustrated in Table 1, the model has met the threshold.

Table 1. Fitness of the model.

Index	Criteria	Output	Decision
CMIN/df	$\text{Chi sq/df} \leq 2.000$	1.230	Acceptable
TLI	$\text{TLI} \geq 0.9$	0.987	Acceptable
CFI	$\text{CFI} \geq 0.9$	0.992	Acceptable
GFI	$\text{GFI} \geq 0.8$	0.958	Acceptable
RMSEA	$\text{RMSEA} \leq 0.08$	0.040	Acceptable

In addition, this study also tested convergent validity, construct reliability, and discriminant validity in the measurement model. We consider the average variance extracted (AVE) which should be higher than 0.5 to determine convergent validity. This study considers the Cronbach’s alpha (α) value that should be greater than 0.7 and the factor loading should be higher than 0.6 to estimate the internal reliability. As shown in Table 2, we removed some items from the criteria, including two items for entrepreneurial orientation (EO9 and EO10) and four items for innovation (IN1, IN2, IN3, and IN4). In addition, we also tested the discriminant validity using the Fornell-Larcker criteria by comparing the diagonal to the square root of the AVE of each variable which must be higher than the correlation with any other dimensions.

Table 2. Validity and reliability.

Constructs	Items	Factor loading	α	AVE
Entrepreneurial orientation (EO)	EO1	0.683	0.872	0.632
	EO2	0.706		
	EO3	0.744		
	EO4	0.686		
	EO5	0.630		
	EO6	0.695		
	EO7	0.608		
	EO8	0.709		
	EO9	0.097		
	EO10	0.101		
Innovation (IN)	IN1	0.117	0.852	0.602
	IN2	0.126		
	IN3	0.145		
	IN4	0.167		
	IN5	0.723		
	IN6	0.690		
	IN7	0.732		
	IN8	0.684		
Competitive advantage (CA)	CA1	0.743	0.828	0.689
	CA2	0.691		
	CA3	0.778		
	CA4	0.837		
	CA5	0.821		
	CA6	0.717		
Marketing performance (MP)	MP1	0.837	0.942	0.711
	MP2	0.853		
	MP3	0.875		
	MP4	0.868		
	MP5	0.866		
	MP6	0.866		
	MP7	0.868		

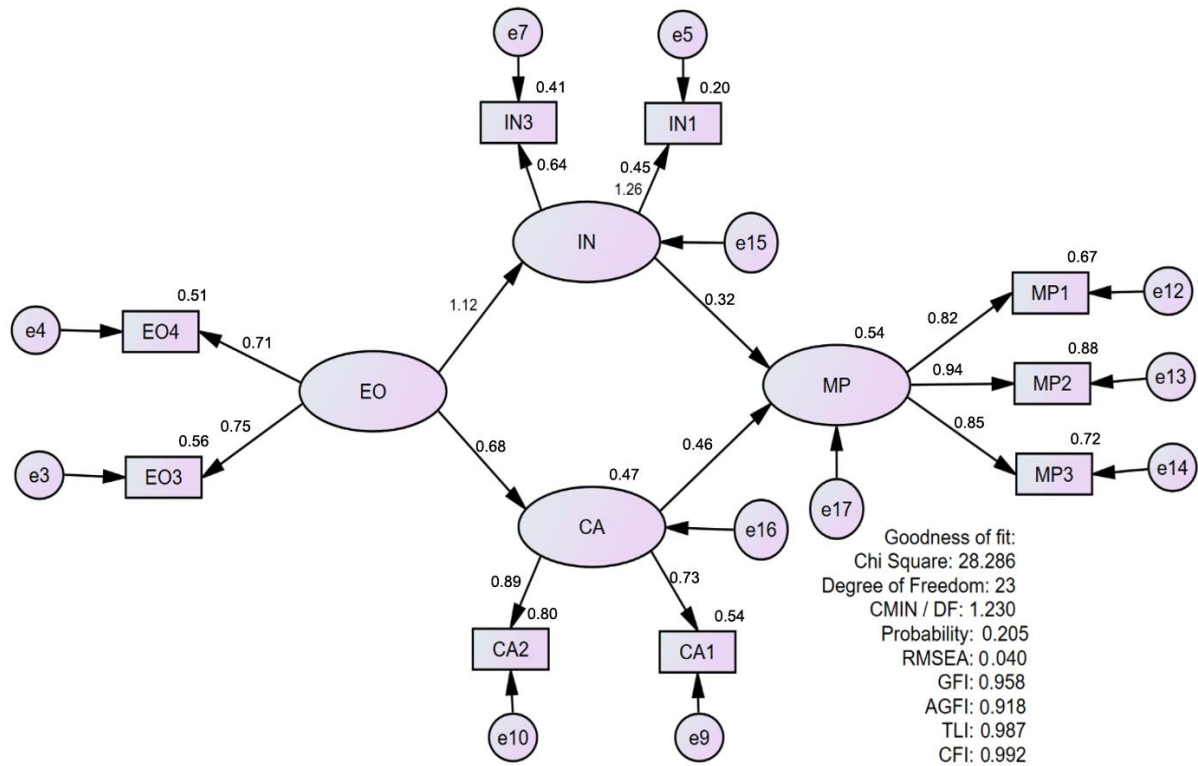


Figure 1. Structural model.

4.2. Structural Model

Figure 1 informs the final model regarding EO, IN, CA, and MP. The results of hypothesis testing consist of a direct effect test of four hypotheses and an indirect effect test of two hypotheses (see Table 3). As illustrated in the table, this study confirmed six hypotheses proposed. First, EO has an impact on innovation (C.R = 7.531 > 1.96 and p-value = 0.000 < 0.05) and CA (C.R = 6.580 > 1.96 and p-value = 0.000 < 0.05), confirming H1 and H2. In addition, IN has an influence on MP (C.R = 2.606 > 1.96 and p-value = 0.009 < 0.05), accepting H3. Indeed, the relationship between CA and MP has been confirmed. The mediation analysis showed that IN (C.R = 4.477 > 1.96 and p-value = 0.009 < 0.05) and CA (C.R = 2.909 > 1.96 and p-value = 0.003 < 0.05), indicating that those variables can play as mediators for the relationship between EO and MP.

Table 3. Proving hypothesis.

No.	Relationship	Estimates	C.R.	P-value	Decision
1	EO → IN	1.125	7.531	0.000	Accepted
2	EO → CA	0.684	6.580	0.000	Accepted
3	IN → MP	0.470	2.606	0.009	Accepted
4	CA → MP	0.474	3.429	0.000	Accepted
5	EO → IN → MP	0.529	4.477	0.000	Accepted
6	EO → CA → MP	0.324	2.909	0.003	Accepted

4.3. Discussion

This study investigated the relationship between entrepreneurial orientation (EO) and marketing performance (MP) of SMEs in Indonesia as well as investigated the mediating role of innovation and competitive advantage (CA). The first finding showed that EO has a notable influence on IN, confirming the first hypothesis. EO drives innovation through proactive behavior, risk-taking, and finding new opportunities. In this regard, integrating EO in SMEs activities enable them to think creatively in promoting innovation. The results support and complement previous research (e.g., (Pozzo et al., 2023; Si et al., 2023)) which showed this significant connection. This study also

confirms the second hypothesis regarding the relationship between EO and CA. The adoption of EO through aggressive and competitive methods positively impacts the CA of SMEs. The results corroborate several previous studies on this theme (e.g., (Daradkeh & Mansoor, 2023; Liao & Suprpto, 2024)) which remarked that EO takes a major role in supporting innovation among SMEs. The next finding showed that innovation and CA have a significant effect on MP, confirming the third and fourth hypotheses. In this study paradigm, innovation is shown by the following two indicators: product and marketing innovation. The secret to applying product innovation is to continuously improve product quality and to dare to be distinctive. Customer updates and customer service are updated as part of the application of marketing innovation. The results are in agreement with previous CA can be a driver for MP, supporting some previous work (e.g., (Ngo et al., 2024; Wongsansukcharoen & Thaweepaiboonwong, 2023)). CA helps SMEs to enhance the message of marketing and to promote brand image, which in turn can reach their MP. Considering that CA drives MP, SMEs need to invest in developing unique value propositions and sustainable differentiators in their products and services to enhance their market position and achieve superior marketing outcomes. This study also examined the role of innovation and CA as mediators for EO and MP of SMEs. The statistical estimation confirmed this significant role, and thereby supporting the fifth and sixth hypotheses. In this context, entrepreneurial inclination can be bridged through innovation, which can have a big effect on MP. The result is in line with preliminary work to show this mediating role (Nizam et al., 2020; Pan et al., 2024). SMEs that involve EO drive various innovations, including product and marketing that can be a motor for supporting the MP, i.e., sales, profit, and marketing share. In addition, CA can mediate between EO and marketing success. The finding enlarges the preliminary study which confirmed this role (e.g., (Daradkeh & Mansoor, 2023; Merakati et al., 2017)). In this matter, CA can be formed into several things such as unique products and markets while entrepreneurial orientation combines some activities, such as proactively, and innovativeness. It will be easier for SMEs to reach MP with this combination.

5. CONCLUSION

This present work attempted to examine the relationship between EO and MP and to analyze the role of innovation and CA as mediators. This study proposed six hypotheses and confirmed them using structural equation modeling. The main findings indicate that EO has a robust impact on innovation and CA. Indeed, innovation and CA have a partial relationship with MP. This study also confirmed the mediating role of innovation and CA for EO and MP of SMEs. This study made a significant effort to enhance SMEs' sustainability in the post-pandemic through marketing performance and consider some relevant variables mentioned previously. SMEs integrated with marketing, innovation, and entrepreneurial orientations can deal with technological and market changes.

Hence, the implication of this study is that there is a need for SMEs to consider innovation and CA to boost MP. Hence, it can be a fundamental framework to support the government policy in increasing the number of SMEs in Indonesia. It also implies a strategic approach to involve EO for SMEs in supporting marketing performance. The government and policymakers can support the development of entrepreneurial orientation and innovation among SMEs in Indonesia through training and mentoring programs that increase entrepreneurial capabilities. Like other studies, this study has limitations in terms of the respondents who are determined by food SMEs based on local wisdom in retail. Thus, future scholars can elaborate to reach a comprehensive finding.

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Transparency: The authors state that the manuscript is honest, truthful, and transparent, that no key aspects of the investigation have been omitted, and that any differences from the study as planned have been clarified. This study followed all writing ethics.

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