

EXPLORING THE IMPACT OF ENTREPRENEURIAL ORIENTATION AND MARKETING ORIENTATION ON MARKETING PERFORMANCE: THE MEDIATING ROLE OF COMPETITIVE ADVANTAGE

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Abstract

This research examines the role of competitive advantage in mediating the effects of entrepreneurial orientation and market orientation on marketing performance. The study involved SMEs in Kebumen Regency. Data were collected from 180 respondents through an online survey conducted from July to September 2024. Data analysis was performed using the Partial Least Square (PLS) method with Smart PLS version 3 software. The findings reveal that entrepreneurial orientation positively influences competitive advantage, and market orientation similarly exerts a positive effect on competitive advantage. Furthermore, both entrepreneurial and market orientations positively impact marketing performance. Additionally, the indirect effect assessment demonstrates that competitive advantage significantly channels the relationship between entrepreneurial orientation, market orientation, and marketing performance, playing a mediating role. This study highlights the importance for managers to foster entrepreneurial and market orientations to enhance competitive advantage, ultimately leading to improved marketing performance in SMEs context.

Article History:

Keywords:

entrepreneurial orientation, market orientation, competitive advantage, marketing performance.

1. Introduction

Enhancing competitiveness is crucial for businesses to thrive in increasingly intense market competition, especially for small and medium enterprises (SMEs), which often face resource constraints. In addition to limited resources, SMEs encounter challenges such as the rapid development of information technology (IT), which has reshaped consumer behavior and market dynamics (Febriatmoko, 2023). The pressure to adopt digital tools for marketing, operations, and customer engagement poses significant difficulties for SMEs, particularly those with limited technical expertise or financial capacity (Alqahtani, 2023). Moreover, globalization and the entry of larger firms with superior resources intensify the competitive landscape, making it harder for SMEs to maintain market share. In this dynamic era, entrepreneurial orientation and market orientation are considered vital factors in driving marketing performance. Entrepreneurial orientation reflects a proactive approach to opportunities and innovation, while market orientation emphasizes understanding and responding to customer needs and preferences (Presutti, 2023).

Competitiveness is a critical factor in achieving business success, particularly in the current era of intense market rivalry. Small and medium enterprises (SMEs) face unique challenges due to their limited access to resources, which often restricts their ability to compete effectively (Malca, 2023). In this context, entrepreneurial orientation and market orientation have gained significant attention as strategies that can enhance performance (Fikri, 2022; Ighomereho, 2022). Entrepreneurial orientation reflects an organization's proactive and innovative approach to seizing opportunities, while market orientation highlights the importance of understanding and responding to customer demands (Kolbe, 2022).

Despite their importance, the direct influence of entrepreneurial and market orientation on marketing performance has shown inconsistent results. Previous studies revealed that market orientation has insignificant effect on marketing performance (Beliaeva et al., 2020; Ho et al., 2018; Uz Kurt et al., 2016). Similarly, another studies also found that entereneurial orientation does not consistently lead to improved marketing outcomes, particularly in uncertain market conditions (Aloulou, 2023; Supeni et al., 2023). These inconsistencies indicate that competitive advantage may act as a critical mediating variable, linking entrepreneurial and market orientations to marketing performance. Competitive advantage, which includes factors such as product uniqueness, operational efficiency, and service quality, provides the mechanism through which these orientations translate into tangible performance improvements (Anwar, 2022; Rincon, 2023; Sari, 2023). For SMEs, especially those in developing regions like Kebumen, this mediating role is crucial due to their limited resources and distinct market challenges. Data from recent reports indicate a rapid increase in the number of SMEs in Kebumen, reflecting the region's entrepreneurial spirit and economic potential (BPS, 2023). However, despite this growth, many SMEs face significant sustainability challenges. Studies reveal that the average lifespan of these businesses is relatively short, with a considerable number failing within the first two years of operation (Sarwoko, 2023). This highlights the urgent need for strategies that enhance competitiveness and long-term survival. By addressing the gaps in previous research and clarifying the role of competitive advantage as a mediator, this research aims to provide actionable insights that can help SMEs enhance their strategies and achieve sustainable growth.

2. Method

This study employed a quantitative research design to investigate the proposed hypothesis. Data were collected through an online survey administered from July to September 2024. The survey targeted owners and managers of small and medium enterprises (SMEs) in Kebumen Regency, resulting in 180 valid responses. The questionnaire included items designed to measure entrepreneurial orientation, market orientation, competitive advantage, and marketing performance, using a Likert scale to capture respondents' perceptions. The collected data were analyzed using the Partial Least Squares (PLS) method, a variance-based structural equation modeling (SEM) technique. PLS was chosen due to its robustness in handling small sample sizes and its ability to assess complex relationships among latent variables. The analysis was conducted using Smart PLS version 3 software, which enabled the evaluation of the measurement model (validity and reliability) and the structural model (path coefficients and mediation effects). This approach ensured the results were both statistically sound and insightful for understanding the research objectives.

This study examines the characteristics of 180 respondents from SMEs in Kebumen. The majority of respondents were female (55.55%), with males comprising 44.44%. In terms of education, most respondents had a high school diploma (72.22%), followed by 19.44% with a diploma and 8.33% with a bachelor's degree. Regarding business longevity, more than half

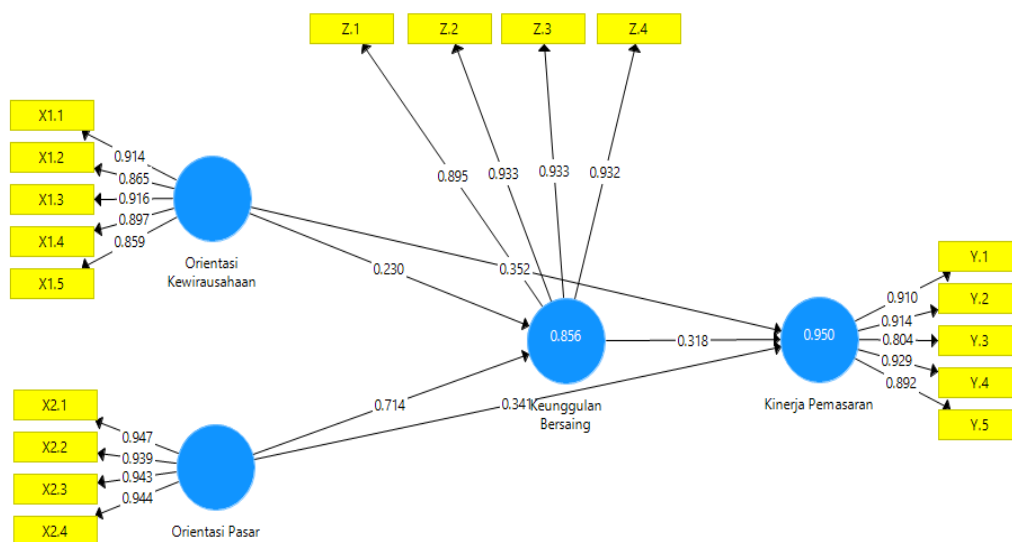
(55.55%) of the respondents had been operating for over 5 years, 30.55% had been in business for 3-5 years, and 13.88% had been running their businesses for 1-3 years. These findings reflect a predominance of experienced, predominantly female entrepreneurs with varying educational backgrounds.

3. Results and Discussion

3.1 Result

1. Outer Model Evaluation

The outer model evaluation in this study assesses the validity and reliability of the measurement instruments used (Hair et al., 2019). Convergent validity was evaluated by examining the loading factors of each indicator, with results showing that all indicators for the variables of Entrepreneurial Orientation (X1), Market Orientation (X2), Competitive Advantage (Z), and Marketing Performance (Y) met the threshold of 0.70, indicating good convergent validity. Discriminant validity was also tested, confirming that the values of the square root of the Average Variance Extracted (AVE) were higher than the correlations between constructs, ensuring that each construct is distinct from the others. Furthermore, the composite reliability values for all constructs (X1, X2, Z, and Y) were above 0.70, indicating that the constructs were reliable. The coefficient of determination (R^2) values were also assessed, showing that the independent variables in the model explained 85.6% of the variation in Competitive Advantage (Z) and 95% of the variation in Marketing Performance (Y), demonstrating a strong predictive ability of the model. Overall, the outer model analysis confirms the validity, reliability, and strong explanatory power of the measurement model used in this research.



2. Inner Model Evaluation

The inner model evaluation in Smart PLS focuses on testing the structural relationships between latent variables (constructs) in the research model. This evaluation examines how well the independent variables explain the variation in the dependent variables and determines the strength of the relationships (or paths) among constructs (Gonzales & Wareham, 2019; Hair et al., 2019).

Tabel 1. Path Coefficient

Constructs	Original Sample	T Statistics	P Values
Entrepreneurial Orientation (X1) → Competitive Advantage (Z)	0.230	2.706	0.007
Entrepreneurial Orientation (X1) → Marketing Performance (Y)	0.352	6.345	0.000
Market Orientation (X2) → Marketing Performance (Y)	0.341	4.856	0.000
Market Orientation (X2) → Competitive Advantage (Z)	0.714	8.698	0.000
Competitive Advantage (Z) → Marketing Performance (Y)	0.318	6.305	0.000

The results show significant relationships between the constructs tested. Entrepreneurial Orientation (X1) has a positive and significant impact on both Competitive Advantage (Z) ($\beta = 0.230$, $p = 0.007$) and Marketing Performance (Y) ($\beta = 0.352$, $p = 0.000$). Similarly, Market Orientation (X2) strongly influences both Marketing Performance (Y) ($\beta = 0.341$, $p = 0.000$) and Competitive Advantage (Z) ($\beta = 0.714$, $p = 0.000$), with the latter showing the strongest effect. Additionally, Competitive Advantage (Z) positively affects Marketing Performance (Y) ($\beta = 0.318$, $p = 0.000$). These findings highlight the critical roles of Entrepreneurial and Market Orientation in enhancing both Competitive Advantage and Marketing Performance, underscoring the interconnectedness of these constructs in achieving business success.

Tabel 2. Specific Indirect Effect

	Original Sample	T Statistics	P Values
Entrepreneurial Orientation (X1) → Competitive Advantage (M) → Performance (Y)	0.073	2.684	0.008
Market Orientation (X2) → Competitive Advantage (M) → Performance (Y)	0.227	4.582	0.000

The results of the mediation test show that both Entrepreneurial Orientation (X1) and Market Orientation (X2) have significant indirect effects on Marketing Performance (Y) through Competitive Advantage (M). Specifically, Entrepreneurial Orientation (X1) has an indirect effect of 0.073 ($p = 0.008$), while Market Orientation (X2) shows a stronger indirect effect of 0.227 ($p = 0.000$). These findings suggest that Competitive Advantage plays a significant mediating role in the relationship between both Entrepreneurial and Market Orientation and Marketing Performance, with Market Orientation showing a more substantial mediated impact.

3.2 Discussion

The analysis reveals that entrepreneurial orientation has a significant positive influence on competitive advantage. Specifically, businesses that adopt a proactive, innovative, and risk-taking approach—key characteristics of entrepreneurial orientation—tend to gain a competitive edge in the market. This finding is supported past research that argue that entrepreneurial orientation drives firms to innovate and take risks, leading to a distinct competitive advantage (Alqahtani, 2023; Aziz, 2023). Firms with higher entrepreneurial orientation are more likely to recognize and exploit new opportunities, thereby enhancing their competitive positioning. In the context of SMEs in Kebumen, this suggests that businesses engaging in entrepreneurial behaviors are better equipped to differentiate themselves from competitors.

Similarly, market orientation exerts a positive and significant effect on competitive advantage. SMEs that actively monitor customer needs and market trends, and align their strategies accordingly, tend to offer products and services that meet customer demands more effectively, resulting in improved competitive positioning. This finding is consistent with the previous research that identified market orientation as a key determinant of competitive advantage (Alqahtani, 2023; Febriatmoko, 2023). Moreover, this study emphasized that a strong market orientation enables firms to anticipate and respond to market shifts, which ultimately leads to a sustained competitive advantage. The results of this study further substantiate the importance of market orientation in driving competitive advantage among SMEs in Kebumen.

Both entrepreneurial orientation and market orientation positively impact marketing performance. The study shows that SMEs with higher levels of entrepreneurial orientation and market orientation experience better marketing outcomes, such as increased market share, customer loyalty, and higher sales performance. Entrepreneurial orientation positively affects performance, especially when mediated by a strong market orientation. Furthermore, this this research suggests that market orientation directly contributes to superior marketing performance by ensuring that businesses effectively meet customer expectations and adapt to changing market conditions.

In addition to the direct effects, the indirect effect assessment reveals that competitive advantage plays a significant mediating role in the relationship between entrepreneurial orientation, market orientation, and marketing performance. Competitive advantage channels the impact of both entrepreneurial and market orientations on marketing performance, highlighting its essential role as a mediator. Competitive advantage is a crucial mediator that links organizational capabilities, such as entrepreneurial and market orientations, to improved performance. The results indicate that while entrepreneurial and market orientations positively influence marketing performance, their impact is significantly enhanced when accompanied by a strong competitive advantage. These findings suggest that SMEs in Kebumen can improve their marketing performance by fostering both entrepreneurial and market orientations, with a focus on developing a sustainable competitive advantage.

4. Conclusion

This study highlights the significant role of both entrepreneurial orientation and market orientation in driving competitive advantage and improving marketing performance among SMEs in Kebumen. Entrepreneurial orientation, characterized by proactivity, innovation, and risk-taking, enhances competitive positioning, enabling firms to differentiate themselves in the market. Similarly, market orientation, which involves a deep understanding of customer needs and market trends, significantly contributes to competitive advantage by helping businesses adapt to market shifts and meet customer demands effectively. Furthermore, the study reveals

that both orientations positively impact marketing performance, leading to improved outcomes such as increased market share and customer loyalty. The mediation analysis underscores the critical role of competitive advantage in strengthening the relationship between entrepreneurial and market orientations and marketing performance. By fostering both entrepreneurial and market orientations, SMEs can enhance their competitive advantage and, ultimately, their marketing performance, ensuring long-term success in a dynamic business environment.

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