

Conference paper

THE MEDIATING EFFECT OF STRATEGIC COMPETITIVE ADVANTAGE ON THE RELATIONSHIP BETWEEN ENTREPRENEURIAL ORIENTATION AND MARKETING PERFORMANCE

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Abstract.

The marketing performance of SMEs has attracted the attention of academics and practitioners. However, the determinants of marketing performance are not final. The purpose of this study is to investigate the mediating effect of strategic competitive advantage on the relationship between entrepreneurial orientation and the marketing performance of SMEs. The results highlighted that entrepreneurial orientation and strategic competitive advantage significantly affected marketing performance. In addition, entrepreneurial orientation positively explains strategic competitive advantage. Interestingly, this study showed that strategic competitive advantage mediates the relationship between entrepreneurial orientation and the marketing performance of SMEs.

Keywords: Entrepreneurial Orientation, Strategic Competitive Advantage, Marketing Performance.

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1. INTRODUCTION

The industrial revolution 4.0 is a driving force for the world economy; even the OECD (Organization for Economic Cooperation and Development) states that digital technology innovation brings many countries sustainable prosperity. The connectivity also connects creative industry players with access to new capital and markets and leads to new business opportunities that are more promising for worth [1].

Small and Medium Enterprises (SMEs) play a role in the economic growth of a country by providing new jobs, increasing tax potential for the State, and being a driver of innovation [2]. SMEs can have a significant effect on the economy in Indonesia, so the development of SMEs is critical and strategic. It is because SMEs have the potential to

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move the community in economic activities and can be used as a source of income to improve people's welfare.

The province of West Sumatra is one area that is fully aware of the vital role of SMEs. According to data published by the Department of Cooperatives and SMEs of West Sumatra Province (2021), most SMEs in West Sumatra are dominated by SMEs in the city of Padang, with as many as 13,837 businesses (21.24%). It indicates that the Performance of SMEs in the city of Padang reflects their performance in West Sumatra. In addition, the number of SMEs in Padang City continues to increase during the 2016 - 2020 period. Thus, the SME business in Padang City is considered a business that has promising prospects. On the other hand, the increase in the number of SMEs has resulted in a high level of competition among SMEs themselves. Consequently, every SME in the city of Padang must develop various marketing strategies to have high performance and ultimately win the match.

On the other hand, marketing performance plays an essential role in winning the business competition. Increases in sales demonstrate the marketing performance, the number of customers, total sales, and market share [3].

Among the factors that can affect the marketing performance of SMEs is a competitive advantage. Competitive advantage is the ability of businesses to create competitive advantages to compete with competitors [4]. Competitive advantage acts as a factor that shows a company's differences from its competitors, thereby making it superior and becoming a market leader [5].

Another factor that can determine the marketing performance of SMEs is an entrepreneurial orientation which can be interpreted as a combination of innovative, proactive, and risk-taking behavior to create value in the organization [6]. Entrepreneurial orientation significantly contributes to the company's success because companies with an entrepreneurial orientation substantially affect the level of ability of the company's leadership [7]. If a company wants to succeed in doing business, it must have an entrepreneurial orientation [8].

Although the variables of strategic competitive advantage and entrepreneurial orientation are determinants of the marketing performance of SMEs, the two variables have a close relationship. Empirically, pieces of literature on marketing confirmed that entrepreneurial orientation leads to strategic competitive advantage [9][10]. Then, an increase in strategic competitive advantage enhances the marketing performance of SMEs [10][11]. In this relationship, strategic competitive advantage is a mediator between entrepreneurial orientation and marketing performance. Therefore, this study posits the following hypotheses.

H1: Entrepreneurial orientation has a positive and significant effect on the marketing performance of SMEs

H2: Entrepreneurial orientation has a positive and significant effect on strategic competitive advantage SMEs

H3: Strategic competitive advantage has a positive and significant effect on the marketing performance of SMEs

H4: Strategic competitive advantage mediates the relationship between entrepreneurial orientation and marketing performance of SMEs

2. METHODOLOGY/ MATERIALS

The population in this study was all leaders or owners of SMEs in Padang City. The sampling technique used was purposive sampling, based on specific criteria set by researchers such as SME owners or managers domiciled in Padang City who has operated for at least two years.

Marketing performance is a measure of achievement obtained from a company's overall marketing activity process [12] that consists of 4 statement items: sales growth, customer growth, market share, and profitability [13]. Strategic competitive advantage is the ability of a business to create a competitive advantage to compete with its competitors [4] that consists of 2 statement items, namely cost advantage and differentiation advantage[14]. Entrepreneurial orientation is the orientation of a company with the principle of trying to identify and exploit opportunities [15] that consists of 3 indicators, namely innovativeness, risk-taking, and proactiveness [8]. The questionnaire design used Google Forms and was sent to the selected sample, resulting in 102 questionnaires returned with a response rate of 92.7%. Data analysis performed SEM-PLS3

3. RESULTS AND DISCUSSIONS

The analysis results will begin with the respondents' gender, business type, and position profiles.

Table 1 shows that 69 respondents (67.60%) were female, while 33 were male (32.40%). Based on business type, most types of business are culinary, namely 51 SMEs (50%), fashion 24 SMEs (23.52%), souvenirs 11 SMEs (10.78%), furniture 6 SMEs (5.86%), and other as many as 10 SMEs (9.80%). Furthermore, the majority of respondents

TABLE 1: The Profile of Respondents.

Demography	Categories	Frequency	(%)
Gender	Male	33	32.40
	Female	69	67.60
Business types	Culinary	51	50
	Souvenir	11	10.78
	Fashion	24	23.52
	Furniture	6	5.86
	Other	10	9.80
Position	Owner	71	69.60
	Manager	21	20.60
	Owner & Manager	10	9.80

occupy positions as owners of SMEs, namely 71 people (69.60%), managers 21 people (20.60%), and owners & managers ten people (9.80).

The Measurement Assessment Model (MMA) specifies the relationship between latent variables and their indicators. The test carried out on MMA is convergent validity which consists of outer loading > 0.7, Cronbach alpha (CA) > 0.7, composite reliability (CR) > 0.7, average variance extracted (AVE) > 0.5 and discriminant validity using the Fornell-Larcker criterion. The results of the MMA analysis are as follows:

TABLE 2: Convergent validity.

Variables	No of Items	Outer Loadings	CA	CR	AVE
Marketing Performance	4	0,710 – 0,876	0.842	0.895	0.683
Strategic competitive Advantage	4	0,784 – 0,967	0.931	0.952	0.834
Entrepreneurial Orientation	5	0,710 – 0,924	0.919	0.939	0.755

Based on the results of the convergent validity analysis, all variables (marketing performance, strategic competitive advantage, and entrepreneurial orientation) have valuable items (outer loadings > 0.70). In addition, the three variables also met the requirements, namely CA > 0.7, CR > 0.7, and AVE > 0.5. Furthermore, discriminant validity is the uniqueness of a variable from other variables. The results of the discriminant validity analysis with the Fornell - Larcker criterion method is as follows:

Table 3 shows that the correlation between X and itself is 0.869. This correlation value was higher than the correlation between X and Y (-0.135) and Y (0.273). Such discriminant validity results also appeared in the marketing performance and strategic competitive advantage variables.

TABLE 3: *Discriminant Validity.*

Variables	Entrepreneurial Orientation (X)	Marketing Performance (Y)	Strategic Competitive Advantage (Z)
Entrepreneurial Orientation (X)	0.869		
Marketing Performance (Y)	-0.135	0.826	
Strategic Competitive Advantage (Z)	0.273	0.270	0.913

Structural Model Assessment (SMA) describes the relationship between latent variables based on substantive theory. The value of R² of endogenous variables helps determine the magnitude of the impact of exogenous variables on endogenous variables

TABLE 4: *R Square (R²).*

Endogenous variable	R ²	Decision
Marketing performance	0.320	Medium
Strategic competitive advantage	0.275	Medium

The marketing performance variable has an R² of 0.320, meaning that the magnitude of the influence of entrepreneurial orientation and strategic competitive advantage on marketing performance is 32%. Furthermore, the strategic competitive advantage variable has an R² of 0.275 which means that the magnitude of the influence of entrepreneurial orientation on strategic competitive advantage is only 27.5%. This study performed a structural model evaluation and obtained the following results:

TABLE 5: *Structural Model Assessment.*

Direction	T-Statistics	P-Values	Decision
Entrepreneurial orientation (X) Marketing performance (Y)	2.057	0.038	H ₁ accepted
Entrepreneurial orientation (X) Strategic competitive advantage (Z)	2.340	0.020	H ₂ accepted
Competitive advantage (Z) Marketing performance (Y)	2.522	0.012	H ₃ accepted
Entrepreneurial orientation (X) Strategic competitive advantage (Z) Marketing performance (Y)	2.524	0.013	H ₄ accepted

The results of the first hypothesis testing regarding the effect of entrepreneurial orientation on marketing performance found a T-statistic of 2.057 (higher than 1.96) and a P-value of 0.038 (lower than 0.05). Thus, it concluded that entrepreneurial orientation positively affects marketing performance, so the first hypothesis (H₁) is accepted. The results of this study implied that the better the entrepreneurial orientation of SMEs, the

better the marketing performance of SMEs in Padang City. The results of this study are consistent with those of previous studies [16][17] that found that entrepreneurship orientation positively affects marketing performance.

A second hypothesis test on the impact of entrepreneurial orientation on strategic competitive advantage results in a t-statistic of 2,340 (greater than 1.96) and a p-value of 0.020 (less than 0.05). Therefore, we can conclude that entrepreneurship orientation positively impacts strategic competitive advantage and thus accept the second hypothesis (H2). The results of this research mean that their entrepreneurial orientation determines the level of strategic competitive advantage of SMEs in Padang City. The results of this study are consistent with those of previous studies [9] [10] that found that entrepreneurship positively impacts competitive advantage

The test result for the impact of strategic competitive advantage on marketing performance is a t-statistic of 2.522 (greater than 1.96) and a p-value of 0.012 (less than 0.05). From this, we can conclude that strategic competitive advantage influences marketing performance; thus, the third hypothesis (H3) is accepted. The results of this study mean that the higher the strategic competitive advantage of SMEs will improve their marketing performance. The results of this study are consistent with previous studies [10][11] that have demonstrated that competitive advantage positively impacts marketing performance.

The results of the fourth hypothesis test on the effect of strategic competitive advantage as a mediator between entrepreneurial orientation and marketing performance had a t-statistic of 2.524 (greater than 1.96) and a p-value of 0.013 (less than 0.05). Therefore, we can accept the fourth hypothesis (H4), as we can conclude that strategic competitive advantage mediates the relationship between entrepreneurial orientation and marketing performance. The results of this study mean that improving the entrepreneurial orientation of SMEs in Padang city can enhance their strategic competitive advantage and thus improve their marketing performance. This study's results align with previous studies [18][19][20]. This study empirically found that competitive advantage mediates the relationship between business integrity and marketing performance.

4. CONCLUSION AND RECOMMENDATION

This study's results indicate that entrepreneurial orientation and strategic competitive advantage are essential predictors of SME marketing performance. In addition, the study also highlights that strategic competitive advantage mediates the relationship between entrepreneurial orientation and the marketing performance of SMEs. This study limits

the entrepreneurial orientation variable as an independent variable, so future research can develop this research model by adding other independent variables, such as market orientation.

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