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Unveiling the Nexus: the crucial role of competitive advantage in bridging entrepreneurial marketing practices and sustainable firm performance in small and medium enterprises

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Abstract

Studies about entrepreneurial marketing linked with competitive advantage and sustainability in SMEs are limited in the existing literature. This study therefore aimed to investigate the relationship between entrepreneurial marketing dimensions, focusing on the mediating role of competitive advantage, in ensuring the sustainability of firm performance. Descriptive research design combined with explanatory research to examine the relationships; and stratified sampling with simple random sampling techniques to select the enterprises were used. Data from 387 SMEs in Oromia, Ethiopia were collected and analyzed using structural equation modeling (SEM). The findings indicated significant connections among entrepreneurial marketing practices, competitive advantage, and sustainability of firm performance, with competitive advantage partially mediating the relationships. The finding also underlined SMEs that are entrepreneurial, strategic, and socially responsible are best positioned for long-term success. Practical implications suggested aligning marketing practices with overall strategies, optimizing resource usage, and enhancing innovation to improve competitive advantage and sustain firm performance. From a social perspective, embracing sustainable practices could positively impact, employment, environmental responsibility, economic stability, and consumer perception. The study offers valuable insights for academia, policymakers, and practitioners.

Keywords: SMEs, Entrepreneurial marketing, Competitive advantage, Sustainability of firm performance

Introduction

In the contemporary era, the dynamics of social-economic systems have undergone significant transformations due to advancements in science and technology (Ogunode et al., 2020). Consequently, businesses face the imperative of adapting to these changes by seeking innovative solutions and new approaches to address challenges. Recognizing the limitations of conventional marketing practices, particularly for entrepreneurial

firms operating in conditions of uncertainty and resource constraints, researchers advocate for the adoption of entrepreneurial marketing (Azam et al., 2024). Conventional marketing and entrepreneurial marketing differ significantly in their approaches and target markets. Conventional marketing targets a broad audience through mass marketing techniques, focusing on structured, top-down strategies, and a formal marketing mix (product, price, place, promotion). It relies heavily on substantial financial investments, is risk-averse, and emphasizes short-term, transactional customer relationships (Gilmore et al., 2001; Kotler et al., 2003). In contrast, entrepreneurial marketing targets niche markets with flexible, bottom-up strategies that are adaptable and innovative. It operates with limited resources, emphasizes creative solutions, and focuses on building long-term customer relationships through risk-taking and engagement (Adam, 2021). The limitations of conventional marketing therefore include high costs, environmental impact from physical marketing materials, lack of customization, inefficiency, short-term focus, inflexibility, and ethical concerns (Hollensen, 2015; Mishrif & Khan, 2023). These limitations highlight the need for more sustainable and entrepreneurial marketing practices that create long-term value and align with ethical and environmental considerations (Vederhus, 2021).

The concept of entrepreneurial marketing (EM) involves the convergence of marketing and entrepreneurship, with shared elements such as innovation, proactiveness, and opportunity focus. It has got attention as a strategic approach came out of the unique challenges faced by small and medium enterprises (SMEs), providing an alternative perspective to traditional marketing systems. EM's proactive, innovative, and resourceful nature (Fatoki, 2019) empowers SMEs to differentiate themselves through unique offerings, strong customer relationships and enhanced internal capabilities (Narver & Slater, 1990). This translates into improved market share, profitability, and brand loyalty, laying the groundwork for financial sustainability. Furthermore, EM's emphasis on environmental and social responsibility (Aldrich & Zimmer, 2023) contributes to environmental and social sustainability. By adopting green practices, reducing resource consumption, and engaging in ethical principles, SMEs can minimize their environmental impact and attract eco-conscious consumers. Similarly, prioritizing employee well-being, community engagement, and ethical business practices raises the positive societal impact and long-term brand reputation (Shepherd & Patzelt, 2011).

Entrepreneurial marketing (EM) also significantly impacts competitive advantage in SMEs by enhancing innovation, agility, and customer-centric approaches (Hills et al., 2008). Unlike traditional marketing, EM emphasizes proactive identification of market opportunities and creative use of limited resources, enabling SMEs to differentiate themselves with unique value propositions (Mort et al., 2012). Research shows that SMEs employing EM strategies achieve higher customer loyalty, enhanced brand reputation, and market share gains, leading to robust competitive advantage (Mort et al., 2012). This competitive advantage is crucial for the sustainability of SMEs, as it enables long-term profitability and market position (English, 2023). By leveraging their unique strengths, such as specialized knowledge and innovative capabilities, SMEs can withstand market fluctuations and competitive pressures, promoting resilience and strategic planning (Bowen et al., 2019). Furthermore, firms with a competitive edge are more likely to invest in sustainable practices, aligning their operations with environmental and social goals

(Hart et al., 2011). The relationship between entrepreneurial marketing (EM), competitive advantage, and sustainability is particularly pronounced in SMEs, as EM drives the creation of competitive advantages essential for sustainable growth (Morris et al., 2002). This dynamic approach helps SMEs adapt to changing market conditions and exploit new opportunities, reinforcing their capacity to invest in sustainable practices and long-term goals, ensuring continued growth and development (Hult et al., 2004; Jones et al., 2013; Miles et al., 2014; Schindehutte et al., 2008).

Moreover, entrepreneurial marketing is increasingly recognized for its association with sustainable development, aligning closely with environmental and social sustainability, which are pivotal to achieving sustainable economic development and the Sustainable Development Goals (SDGs). Sustainable economic development refers to the ability of an economy to grow in a manner that is environmentally sound, socially inclusive, and economically viable over the long term (Hopwood et al., 2005). This concept emphasizes the need to balance economic growth with environmental sustainability and social well-being, ensuring that natural assets are managed efficiently and equitably for posterity (Alhaddi, 2016). Beyond that, enriching sustainable development studies requires prioritizing historical context, interdisciplinary approaches, and the analytical lens of social class (Manioudis & Meramveliotakis, 2022). Entrepreneurial marketing supports this by promoting innovation and agility, allowing businesses to adapt quickly to market changes and consumer demands for sustainable practices (Miles et al., 2006). It encourages the creation of value through resource-efficient methods, leveraging digital platforms, and raising long-term relationships with stakeholders (McDonagh & Prothero, 2014). This method can also push economic development and minimize environmental impact and enhance social equity (Martin & Schouten, 2012). By integrating sustainability into their core strategies, entrepreneurial firms contribute to the broader goals of sustainable development, addressing critical issues such as climate change, resource depletion, and social inequalities (Stubbs et al., 2008). In line with this, the unforeseen crisis of a global pandemic requires reevaluating the idea of sustainable development itself, posing a significant obstacle to achieving sustainable development objectives (Meramveliotakis & Manioudis, 2021). Thus, entrepreneurial marketing is a business strategy and a crucial component of sustainable economic development that aligns with the SDGs, promoting a more resilient and inclusive economy (Hart et al., 2011).

Despite persistent challenges of joblessness and poverty, Ethiopia has focused on small- and medium-scale enterprises (SMEs) as potential drivers of economic development (Getahun, 2016). Small and medium-sized enterprises (SMEs) are crucial in creating jobs, reducing poverty, and promoting economic expansion (Ayyagari et al., 2007). Research indicates that SMEs diversify the economy and reduce dependency on traditional sectors, thereby impacting GDP growth (Ugwu-ou et al., 2020). Furthermore, entrepreneurship is viewed as a pathway to increased income, wealth, empowerment, and community impact (Santos et al., 2022). Recognizing this, the Ethiopian government's Job Creation Action Plan aims to create 14 million jobs by 2025 with private sector involvement and government assistance. This emphasizes that entrepreneurial marketing is crucial for SMEs to survive and compete globally (Endris & Kassegn, 2022). Regardless of the significant role of SMEs in the country's economic growth, they encounter notable challenges. These include restricted financial access,

insufficient infrastructure, regulatory limitations, a high rate of firm closures within the first two to four years, and a lack of skilled labor (Beck et al., 2005; Wakuma & Temesgen, 2016). Furthermore, SMEs struggle with a lack of entrepreneurial skills, marketing skills, competitiveness, survival issues, and insufficient managerial skills (Hidayat et al., 2022). Studies have highlighted the resilience and adaptability of SMEs in leveraging local resources and innovative strategies to thrive despite these challenges (Al-Shaikh & Hanaysha, 2023). The adoption of technology has also been identified as crucial for enhancing SME competitiveness, enabling market expansion, and improving productivity (Endris & Kassegn, 2022). Besides, understanding the entrepreneurial and innovative dynamics of SMEs is essential for policy design that promotes sustainable growth and inclusive development (Sime et al., 2021). The severity of the situation in Ethiopia, where small businesses are experiencing significant crises, job losses, and closures, emphasizes the urgency for strategic solutions (Abate & Sheferaw, 2023). Therefore, the study aimed to provide Ethiopian SMEs with key innovative marketing strategies to gain a competitive edge and maintain performance in a constantly changing business environment. Previous research also suggested exploring how entrepreneurial marketing impacts firm performance in the long run, emphasizing competitive advantage as a mediator (Fiore et al., 2013; Morris et al., 2002; Schaltegger & Wagner, 2011). Moreover, entrepreneurial marketing (EM) is a relatively recent concept requiring thorough exploration, and this study addresses this gap by examining the relationships between EM practices, competitive advantage, and sustainability of firm performance, integrating theories such as the resource-based view (RBV), triple bottom line, and opportunity-focused entrepreneurship theory (Santos et al., 2022). Given the limited studies on the relationship between EM practices and the sustainability of firm performance with competitive advantage as a mediator, particularly in Ethiopia, this research aims to fill these gaps and provide directions for future empirical studies.

Theoretical evidence and hypothesis development

Opportunity-focused entrepreneurship theory

The opportunity-focused entrepreneurship theory, as outlined by Venkataraman (2000) and Eckhardt and Shane (2003) suggests that the recognition and exploitation of opportunities within the market primarily drive entrepreneurship. This theoretical framework emphasizes the proactive nature of entrepreneurs who actively seek and capitalize on opportunities, playing a crucial role in sustaining economic development. Scholars, including (Davidsson et al., 2001), as well as (Zahra, 2005), have applied this theory to understand entrepreneurial behavior, strategic decision-making, and the institutional role in creating an environment conducive to the identification and utilization of opportunities. The integration of entrepreneurial marketing practices is seen as a vital aspect contributing to the sustainable performance of firms in alignment with the opportunity-focused entrepreneurship theory. Research by Sadiku-Dushi et al. (2019) also found that firms with a strong focus on entrepreneurial marketing practices achieved not only increased sales and profitability, but also greater owner satisfaction, a key indicator of long-term business sustainability. Similarly, Inoti (2017) demonstrated a positive correlation between entrepreneurial marketing and firm performance, suggesting that these practices contribute

to a firm's ability to not only perform well, but also maintain that performance over time. Moreover, Akomea et al., (2023) found that entrepreneurial orientation, when integrated with sustainability practices, significantly enhances firm performance, especially in highly competitive environments. Based on the evidence, the following hypothesis is developed:

H1 Entrepreneurial marketing practices positively and significantly impact the sustainability of firm performance.

Resource-based view theory

Resource-based entrepreneurship theory asserts that sustained competitive advantage in entrepreneurial ventures is achievable by effectively identifying, acquiring, developing, and exploiting unique resources (Barney, 1991). The theory highlights how tangible and intangible resources like money, skilled workers, and technology play a crucial role in determining the prosperity and sustainability of new businesses. According to the theory, entrepreneurial success relies on the strategic use of unique and valuable resources, including knowledge, skills, and social networks, providing entrepreneurs with a competitive edge. Resource based view's emphasis on leveraging unique resources like marketing knowledge and skills to differentiate SMEs in the market (Lumpkin et al., 2011). Besides, In line with resource-based view (RBV) principles, entrepreneurial marketing practices, characterized by innovation, risk-taking, and proactive market orientation, are seen as dynamic capabilities that contribute to the development of unique and valuable resources. In addition, RBV's principle is that firms with unique resources are better positioned to maintain long-term success through continuous adaptation (McWilliams & Smart, 1995). Moreover, RBV indicates that EM practices contribute to sustainability by first establishing a competitive advantage, which in turn enhances firm performance sustainability, as shown in various sector studies (Hidayatullah et al., 2019). Studies also suggested that entrepreneurial marketing practices, through differentiation and opportunity focus (Kraus et al., 2010), can lead to a competitive advantage. This advantage, often achieved through unique value propositions is linked to sustained performance (Porter & Kramer, 2011). Besides, competitive edge acts as a bridge between entrepreneurial marketing and long-term success, with innovative strategies translating into profitability by leveraging a strong market position (Morgan et al., 2009). As such, the following hypotheses were developed:

H2 Entrepreneurial marketing practices positively and significantly impact competitive advantage.

H3 Competitive advantage positively and significantly affects the sustainability of firm performance.

H4 Competitive advantage mediates the relationship between entrepreneurial marketing practices and the sustainability of firm performance.

Triple bottom line (TBL) theory

The triple bottom line (TBL) theory, introduced by Elkington (1997), advocates for the holistic integration of economic, social, and environmental considerations in business operations. Entrepreneurial marketing aligned with TBL principles contributes to SMEs' sustainability by addressing financial objectives and social and environmental responsibilities (Zak, 2020). By combining opportunity-focused entrepreneurship theory, resource-based view theory, and triple bottom line (TBL) theory, researchers analyzed how competitive advantage plays a crucial role in mediating the influence of entrepreneurial marketing practices on the long-term performance sustainability of small and medium-sized enterprises (SMEs). This new method enhances the comprehension of how entrepreneurs actively pursue opportunities, strategically use resources, and incorporate economic, social, and environmental factors in small and medium-sized enterprises. By emphasizing the dynamic capabilities associated with entrepreneurial marketing, the research not only bridges gaps in current theories, but also introduces a comprehensive perspective that sheds light on the multifaceted dimensions of sustainable entrepreneurship.

Empirical evidence

Across the global economic landscape, small and medium enterprises (SMEs) have emerged as vital catalysts for stimulating economic growth, fostering innovation, and generating job prospects (OECD, 2023). Operating across diverse sectors such as manufacturing, services, and technology, these enterprises significantly contribute to employment and GDP in both developed and developing nations (World Bank, 2021). SMEs stand out for their remarkable agility and adaptability, enabling them to swiftly respond to market changes and explore niche markets that larger businesses may overlook. This inherent flexibility not only drives economic activity, but also increases employment opportunities and fuels GDP growth on a global scale. As a result, small and medium enterprises make a substantial contribution to Ethiopia's economy, playing a pivotal role in job creation and economic development. According to a report by the Ethiopian Ministry of Trade and Industry, SMEs account for approximately 90% of all businesses in the country and contribute around 45% to the GDP (Ethiopian Ministry of Trade and Industry, 2021). Furthermore, these enterprises are responsible for creating about 70% of new jobs annually, highlighting their significance in addressing unemployment (CSA, 2019). This data underscores the critical role SMEs play in fostering economic growth and development in Ethiopia. In the country, small and medium enterprises (SMEs) play a crucial role in job creation, equitable income distribution, fostering competition, tapping into niche markets, enhancing productivity and technological progress, and driving economic growth through these combined methods.

Overview of small and medium enterprises: number of enterprises, turnover, and employment in Ethiopia

Recent studies show that small and medium businesses (SMEs) in Ethiopia are a major driver of job creation next to agriculture. These businesses are particularly important for women's economic empowerment, helping to reduce poverty and create new jobs.

Successful developing countries have used the strong job-creating power of SMEs to achieve rapid economic growth (Weldeslassie et al., 2019). SMEs play a crucial role in Ethiopia's economy, demonstrating substantial growth and impact. With up to 2 million enterprises, primarily in the industrial sector, they generate significant revenue and provide the majority of urban employment. Their regional distribution underscores their importance across various areas, while financial growth indicators highlight their expanding economic footprint. SMEs are thus vital to Ethiopia's economic development and employment landscape (see Table 1).

Despite their significance, SMEs receive limited attention, and the concept remains relatively recent (Wube & Atwal, 2023). Ethiopian SMEs face significant market-related challenges that hinder their competitiveness and sustainability. Limited access to market information and inadequate marketing strategies prevent effective customer reach and market expansion. Additionally, outdated technology and insufficient innovation reduce their competitive edge. Financial constraints and poor managerial skills further limit their ability to invest in long-term growth and adapt to market changes, significantly affecting their overall performance and growth potential (Gudeta & Tulu, 2022). The SMEs also encountered a range of challenges that impacted their growth and sustainability. Studies have consistently highlighted issues such as limited access to finance as a significant obstacle (Abdumelike et al., 2021). High interest rates, stringent collateral requirements, and a lack of financial literacy make it difficult for SMEs to secure funding for expansion and operational needs (Tegebu et al., 2019). Additionally, inadequate infrastructure, including unreliable power supply and transportation systems, poses operational challenges for SMEs (Endris & Kassegn, 2022). These constraints limit their competitive advantage and hinder the transformation of the enterprises to the next stages.

Moreover, challenges such as limited marketing capabilities, difficulties in maintaining competitiveness, and sustaining operations in a dynamic business environment have been identified as barriers to SME development in Ethiopia (Abate & Sheferaw, 2023). Therefore, the study aimed to equip SMEs with entrepreneurial marketing

Table 1 Overview of SMEs in Ethiopian context: number of enterprises, turnover, and employment

Aspect	Details	Sources
Number of enterprises	Up to 2.0 million (2020)	OECD (2023)
Number of enterprises (growth)	Approximately 115,000 new MSMEs added in 2021	New Business Ethiopia
Percentage in industrial sector	98.5%	OECD (2023)
Turnover	Approx. 1.5 billion USD annually	UNDP (2021)
Employment (2019/2020)	1,569,163 people	New Business Ethiopia, report
Employment (2020/2021)	585,119 people (newly added)	New Business Ethiopia
Employment contribution	60–70% of urban employment	Ethiopian Ministry of Trade and Industry (2021)
Regional distribution	Oromia: 39.9%, Amhara: 34.5%, Others: 25.6%	New Business Ethiopia, GeoPoll (2021)
Financial growth (2020/2021)	- MFIs' deposits increased 17.2%	New Business Ethiopia
Financial growth (2020/2021)	- MFIs' outstanding credit rose 6.7%	New Business Ethiopia (2021)

Source: researchers' compilation

Table 2 SMEs classification

The revised definitions of SMEs			
Categories of SMEs	Maximum number of employees	Paid-up capital/total assets	SMEs included the broad classification
Small-enterprises	6–30	Br.100,001–1,500,000	Industry
	6–30	Br.50,001–500,000	Service
Medium-enterprises	31–100	Br.1,500,001–20,000,000	Industry
	31–100	Br.500,001–7,500,000	Service

Source: Ethiopian, Regulation, No. 373/2016 and Proclamation, No. 954/2016

Table 3 Shows the comparison between small and medium enterprises regarding digital transformation

Aspect	Small enterprises	Medium enterprises
Financial resources	Limited	More available
Digital skills	Inadequate	Access to training
Technology adoption	Basic digital tools, slow and incremental adoption	Sophisticated strategies (ERP, CRM, data analytics)
E-commerce engagement	Lower	More engaged
Digital transformation speed	Slower, incremental improvements	Faster, more comprehensive

Source: researchers' compilation

strategies that enhance their competitiveness and sustainability in this dynamic and competitive business environment.

Difference between small and medium enterprises according to the Ethiopian context

In Ethiopia, the classification of small and medium enterprises (SMEs) is based on the number of employees and financial measurements such as paid-up capital or total assets. Small enterprises have 6–30 employees, with capital or assets ranging from 50,001 to 1,500,000 Ethiopian Birr (EBT), depending on the sector. Medium enterprises employ 31–100 people, with capital or assets between 500,001 and 20,000,000 EBT. The classification tells us not simply about their differences in characteristics, but also about their contribution. Meramveliotakis and Manioudis (2021) suggested that large businesses have a greater capacity to implement processes that foster innovation, which in turn stimulates economic growth. This indicates that, as the enterprises step up from small to medium and from medium to large, they will be capable of competing in the dynamic business environment so that they can easily sustain the development of their own as well as the country's economy (Table 2).

Digital transformation overviews in SMEs: Ethiopian context

Due to limited resources and skills (AfDB, 2020; World Bank, 2021), Ethiopian small businesses adopt basic digital tools gradually (World Bank, 2021). On the other hand, medium enterprises, with better resources and access to training (IFC, 2021; Ministry of Innovation, 2022), implement advanced technologies and e-commerce, accelerating their digital transformation journey (World Bank, 2021) as indicated in Table 3.

Conceptual framework of the research

Research suggests a positive relationship between entrepreneurial marketing practices and developing competitive advantage in SMEs. Entrepreneurs often engage in innovative and proactive marketing strategies, contributing to the differentiation of their products or services in the market. These strategies, such as innovativeness, niche targeting, and customer centric, may result in a unique market position, which can be considered a competitive advantage (Fiore et al., 2013; Hult et al., 2004). The mediating role of competitive advantage in the relationship between entrepreneurial marketing and firm sustainability suggests that the unique market position achieved through entrepreneurial marketing practices contributes to the sustained performance of SMEs. Competitive advantage, whether in the form of cost leadership, differentiation, or focus, acts as a mechanism through which entrepreneurial activities positively impact firm sustainability (Fiore et al., 2013). By actively engaging with customers and understanding their needs, SMEs can develop innovative offerings that create a competitive edge and long-term success. Based on empirical evidence, it has been shown that small and medium-sized enterprises (SMEs) can achieve better sustainability in terms of financial performance, market share, and long-term viability by effectively implementing entrepreneurial marketing strategies and gaining a competitive edge (Kiyabo & Isaga, 2020). Sustainable firm performance is often linked to continuous adaptation to market changes, customer-centric approaches, and the ability to withstand competitive pressures through innovative marketing practices (Asad et al., 2023; Hills et al., 2008).

See the research model in Fig. 1.

Methods and materials

This research investigated the relationship between the implementation of entrepreneurial marketing practices and the sustainability of firm performance in small and medium enterprises (SMEs), with a focus on understanding the mediating role of competitive advantage. The study’s geographical scope encompasses SMEs operating in the West Shoa zone within the Oromia regional state of Ethiopia, explicitly targeting five purposively selected woredas: Ambo, Tokekutaye, Dandi, Ejersa Lafo, and Ejere. Both primary and secondary data sources were employed, with primary data collected

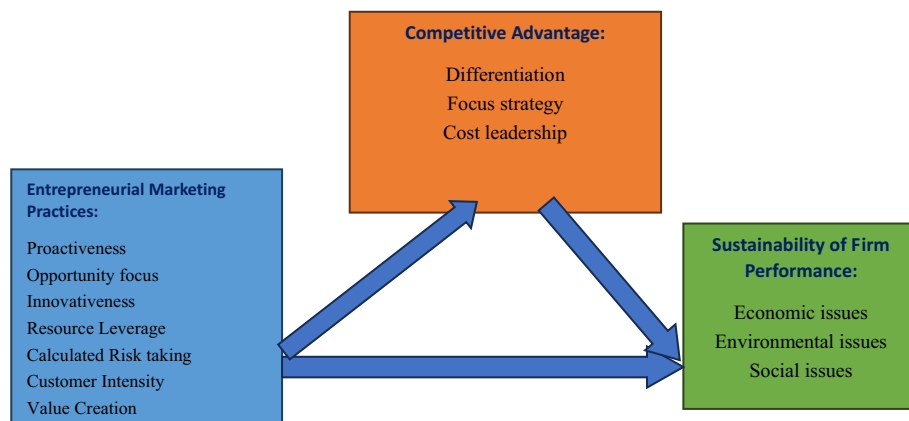


Fig. 1 Source: developed by researchers from the literature, 2023

through self-administered questionnaires from employees of SMEs. The sample size determination utilized Daniel Soper's formula (Soper, 2023) resulting in the selection of 413 SMEs through proportional stratified and simple random sampling (Lohr, 2021). The research methodology combines descriptive and explanatory elements to reveal causal connections among variables (Hair et al., 2019), employing a customized questionnaire and achieving a notable 96% response rate with 387 valid questionnaires for subsequent analysis. The systematic execution of these components, including data screening procedures, ensures a comprehensive exploration of the study's objectives and contributes valuable insights to the literature on SMEs, entrepreneurial marketing, competitive advantage, and sustainability. The study employed structural equation modeling (SEM) for the data analysis.

Results

Demographic factors

The demographic analysis of respondents in the study reveals distinct characteristics of small and medium enterprises (SMEs) within the investigated areas. A predominant age group of 31–40 years constitutes 47.8% of respondents, indicating a relatively youthful entrepreneurial demographic. Gender distribution shows a notable imbalance, with 51.9% male and 48.1% female, indicating limited female participation in SMEs. Regarding education, 45.5% hold Technical and Vocational Education and Training (TVET)/ Diploma qualifications, while 33.3% possess degrees and above. The study highlights a substantial 71.1% of respondents being married. Regarding income, 38.5% of SMEs reported earning between 5001 and 10,000 Birr monthly, and a significant proportion (34.4%) initiated operations with capital below 10,000 Birr. Work experience analysis shows 41.6% of SMEs operating for 2–5 years, and 62% have a workforce size of 6–10 employees. The sectors engaged predominantly include merchandise-oriented businesses (48.1%), with manufacturing activities representing the least at 13.2%. This comprehensive overview provides important information about the population and operational characteristics of SMEs in the investigated areas, serving as a foundational understanding for further analysis and recommendations.

Sustainability and competitiveness in small and medium enterprises

Medium enterprises excel in sustainable development and competitiveness by adopting digital strategies, and enhancing resilience and market performance through agility and innovation. In contrast, small enterprises, despite being innovative and flexible, often face resource constraints that limit their scalability and impact compared to medium enterprises (Troise et al., 2023; Tshikovhi et al., 2023) (Table 4).

The independent samples *t*-tests comparing competitive advantage and sustainability of firm performance between small and medium enterprises reveal significant differences, with medium enterprises reporting higher scores in both areas. Medium enterprises had a mean competitive advantage score of 2.9428 (SD = 1.01446) compared to small enterprises' 2.6035 (SD = 0.91723), a statistically significant difference ($t: 337.449 = -3.395, p = 0.001$) with a mean difference of -0.33925 . For sustainable development, medium enterprises had a mean score of 2.9421 (SD = 1.06139) versus 2.6111 (SD = 0.86962) for small enterprises, also significant ($t: 316.071 = -3.280$,

Table 4 Difference between small and medium enterprises in their sustainable development and competitiveness
Independent samples t-test

	Levene's test for equality of variances		t-test for equality of means					95% confidence interval of the difference	
	F	Sig.	t	df	Sig. (2-tailed)	Mean difference	Std. error difference	Lower	Upper
Competitive Advantage		10.116	0.002	385	0.001	-0.33925	0.09856	-0.53304	-0.14545
	Equal variances assumed		-3.442	385	0.001	-0.33925	0.09856	-0.53304	-0.14545
Sustainability of firm performance		17.071	0.000	385	0.001	-0.33100	0.09993	-0.52412	-0.13788
	Equal variances not assumed		-3.395	337.449	0.001	-0.33100	0.09822	-0.52955	-0.13246
				385	0.001	-0.33100	0.10091		
				316.071	0.001				

Source: Survey, 2023

$p = 0.001$) with a mean difference of $- 0.33100$. Levene’s test indicated significant variance differences for both variables, necessitating results that do not assume equal variances. These findings are supported by recent research, which suggests that medium enterprises benefit from increased resources, enhanced management practices, and greater market influence, contributing to higher competitive advantage (Gherghina et al., 2020). Additionally, studies have shown that as firms grow, they can leverage economies of scale and scope, invest in more sophisticated technologies, and attract better managerial talent, all of which contribute to superior sustainable performance outcomes (Martinez-cones et al., 2016). These advantages underline the importance of strategic planning and policy-making to support the growth of small enterprises into medium-sized entities to enhance their competitive and sustainable performance.

Structural equation model analysis report

Confirmatory factor analysis

Confirmatory factor analysis (CFA) is a statistical technique used to validate and test the hypothesized relationships between observed variables and underlying latent constructs within a specified model (Hutchens, 2017). This technique was used to assess the relationships between entrepreneurial marketing, competitive advantage, and sustainability of firm performance, as illustrated in Fig. 2. Software programs like AMOS and SPSS are commonly used to perform CFA and analyze measurement models. During this analysis, items with factor loadings below 0.5 were removed (Hair et al., 2017). To ensure strong measurement, only items with loadings greater than or equal to 0.5 were retained and used for further analysis. The factor loadings for all variables are presented in Table 5.

Fit indices of the measurement model

To assess the goodness of model fit, the study utilized the following measures: CMIN/df, GFI, CFI, TLI, RMR, and RMSEA. All values met the recommended criteria for acceptable fit (Bentler, 1990; Tucker & Lewis, 1973). Specifically, CFI (≥ 0.90) and TLI (≥ 0.90) were both above 0.95 (Hu et al., 2009), and RMSEA (≤ 0.08) was below 0.10 (Schermelleh-engel et al., 2003). The model fit indices of the measurement model are also indicated

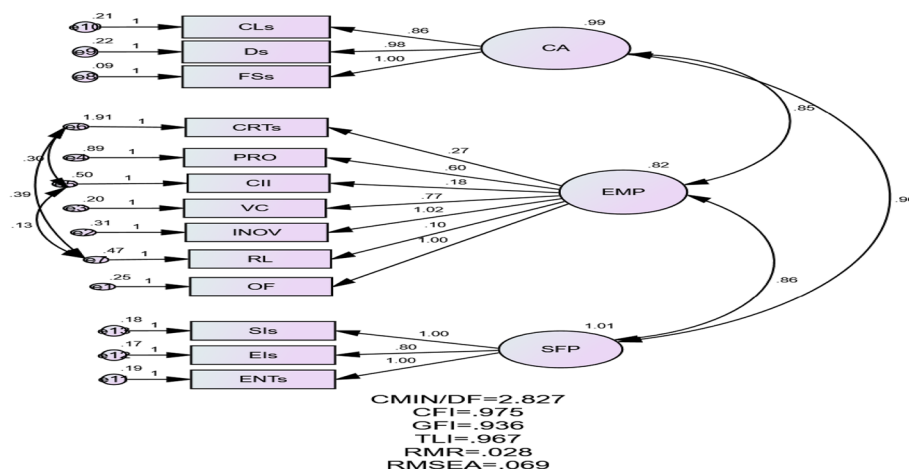


Fig. 2 Shows the confirmatory factor analysis. Source: Survey, 2023

Table 5 Factor loadings for all variables included in the study

	ITEMS	Estimate
P1	← Our business anticipates difficulties in reducing its vulnerability	0.814
P2	← In dealing with competition, my firm often first initiates actions against competitors, to which competitors then respond	0.866
P3	← We consistently monitor and improve the approach to marketing our business	0.759
I1	← Our firm favors a strong emphasis on research and development	0.671
I2	← We deliver our services in new ways to benefit our customers	0.696
I3	← We apply technological leadership and innovations	0.741
O2	← We regularly pursue untapped market opportunities regardless of budgetary or staff constraints	0.728
O1	← When new market opportunities arise, our business very quickly acts on them	0.741
R1	← The business uses the existing resources efficiently and effectively	0.790
R2	← The enterprise exploits the resources in our environment to fulfill the resource scarcity of our enterprises	0.929
R3	← Our enterprise creates and uses its resources when needed	0.801
CRT1	← Our business typically uses creative, low-cost ways to reduce risks associated with new marketing activities	0.875
CRT2	← The enterprise has a strong preference for high-risk projects with the chances of high returns	0.886
CRT3	← Our firm typically adopts a bold, aggressive posture to maximize the probability of exploiting opportunities considering its risks	0.836
CI1	← Our business' marketing efforts reflect knowledge of what our customers want from our products/services	0.819
CI2	← The enterprise slowly increases the number of customers through understanding customers' needs and wants	0.976
CI3	← Change in demand leads to change in our product	0.909
V1	← The enterprises focus on innovation that creates value for customers	0.849
V2	← We benefit customers to be benefited from the customers	0.820
V3	← We offer value to our customers through increasing the quality and performance of our products	0.875
SI1	← The enterprise works on stakeholder engagement and empowerment	0.764
SI2	← The enterprise works to reduce the attrition rate of employees	0.782
SI3	← The enterprise performs corporate social responsibility	0.703
ENT1	← The business uses waste in landfills and recycling waste for the reduction of negative environmental impact	0.860
ENT2	← The enterprise minimizes the use of raw materials, which are not good for the environment	0.739
EI1	← The enterprise maintains financial stability	0.971
EI2	← The enterprise increases revenues	0.642
EI3	← The enterprise has better deposits in the bank	0.723
CL4	← The enterprise focuses on the standardization of products/services	0.947
CL5	← We are always concerned about efficiency in products/services	0.589
FS2	← The enterprise is aiming at a specific part of the market	0.865
FS4	← The enterprise is offering products for that segment of the market that pays high prices	0.838
FS1	← The enterprise is offering specific products to adjust to a particular number of clients	0.789
D5	← The enterprise produces unique products in different ways	0.913
D7	← The enterprise focuses on higher quality of products	0.873

Table 6 Measurement model fit indices

Fit indices	Recommended value	Obtained value
CMIN/DF	< 3–5	2.827
CFI	> 0.9	0.975
TLI	> 0.9	0.967
GFI	> 0.9	0.936
RMR	< 0.08	0.028
RMSEA	< 0.08	0.069

Source: Author’s Compilation, 2023

Table 7 Construct reliability, convergent validity, and discriminant validity (HTMT-RATIO)

	Convergent validity and construct reliability			Discriminant validity			
	CR	AVE	Cronbach’s alpha	AVE	EMP	CA	SFP
EMP	0.939	0.836	0.729	0.836			
CA	0.747	0.501	0.938	0.501	0.821		
SFP	0.935	0.828	0.932	0.828	0.824	0.759	

Source: Author’s compilation, 2023

in Table 6 as $CMIN/df=2.827$, $GFI=0.936$, $CFI=0.975$, $TLI=0.967$, $RMR=0.028$, and $RMSEA=0.069$.

Construct reliability, convergent validity, and discriminant validity

To ensure the measures accurately capture their underlying constructs, construct reliability, convergent validity, and discriminant validity were assessed. Construct reliability, reflecting internal consistency, was evaluated using composite reliability (CR) and Cronbach’s alpha (α) (Sarstedt et al., 2021), with values above 0.70 generally considered acceptable (Hair et al., 2010). Convergent validity is demonstrated when multiple measures of the same construct are highly correlated, typically assessed by having an average variance extracted (AVE) of at least 0.50, and composite reliability (CR) of at least 0.70, as recommended by (Hair et al. 2010). Finally, discriminant validity, assessed using the heterotrait–monotrait ratio (HTMT), ensures the constructs are distinct from each other, with an HTMT below 0.85 indicating good distinction (Henseler et al., 2015). Detailed results for these measures are presented in Table 7.

Structural model fit indices report

In structural equation modeling (Byrne, 2016; Hair et al., 2010), the structural model defines the relationships between latent constructs, illustrating how these constructs, directly and indirectly, influence each other within a theoretical framework. This model was assessed using AMOS SPSS to test the effects of entrepreneurial marketing practices on the sustainability of firm performance and the mediating role of competitive advantage in SMEs. Specifically, fit indices like the comparative fit index (CFI), Tucker–Lewis index (TLI), and root mean square error of approximation (RMSEA) were examined. The analysis revealed a good model fit, with all indices falling within acceptable

Table 8 Structural model fit indices

Fit indices	Recommended value	Obtained value
CMIN/DF	< 3–5	2.523
CFI	> 0.9	0.980
TLI	> 0.9	0.972
GFI	> 0.9	0.945
RMR	< 0.08	0.028
RMSEA	< 0.08	0.063

Source: Survey, 2023

levels (e.g., CFI > 0.90, TLI > 0.90, RMSEA < 0.08) (Hooper et al., 2008; Hu et al., 2009). See Table 8 for detailed fit index values.

The research examined how entrepreneurial marketing practices impact the sustainability of small and medium-sized enterprises’ performance, with competitive advantage as a mediating influence. Entrepreneurial marketing practices had a significant and positive impact on both competitive advantage ($b = 0.88, t = 21.704, p < 0.001$) and the sustainability of firm performance ($b = 0.372, t = 3.427, p < 0.001$). The relationship between competitive advantage and sustainability of firm performance was also positive and significant ($b = 0.769, t = 6.678, p < 0.001$). Additionally, the results revealed a positive and significant indirect effect of EMP on SFP, with competitive advantage partially mediating the relationship. Therefore, all hypotheses have been supported based on the study’s findings. See Table 9 for the regression weights and Fig. 3 for the structural model.

Table 9 Unstandardized Regression Weights

			Estimates	S.E	C.R	p
CA	←	EMP	0.886	0.041	21.704	***
SFP	←	EMP	0.372	0.109	3.427	***
SFP	←	CA	0.769	0.115	6.678	***

**** represents that p -value is less than 0.001 or it is 0.000

Source: Survey, 2023

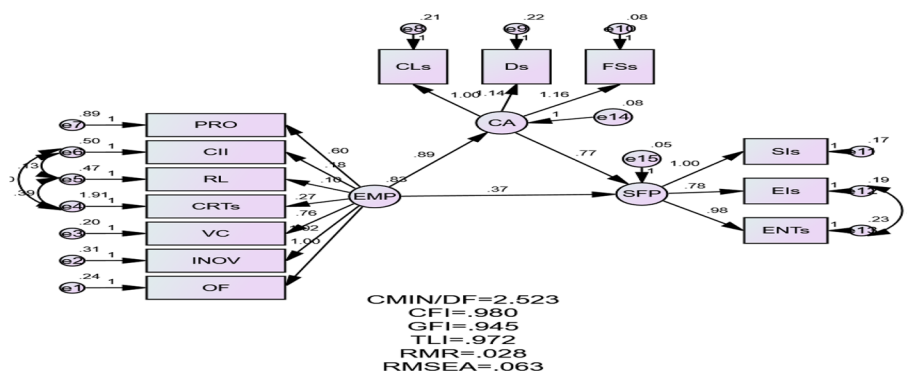


Fig. 3 Structural model; the relationship between entrepreneurial marketing practices (EMP), competitive advantage (CA), and sustainability of firm performance (SFP). Source: Survey, 2023

Unstandardized regression weights refer to Table 9

Structural model analysis

This study investigated the influence of entrepreneurial marketing practices (EMP) on the sustainability of firm performance having a competitive advantage as a mediator in small and medium-sized enterprises (SMEs) using a structural model analysis via AMOS SPSS. The analysis identified key factors within EM practices with strong positive effects, indicated by their high loadings (opportunity identification: 0.87, innovation enhancement: 0.92, value delivery: 0.90, and proactiveness: 0.85). These factors empower SMEs to proactively engage with and analyze the competitive and dynamic business environment. Furthermore, the analysis emphasized the mediating role of competitive advantage achieved through a focused strategy. Interestingly, social responsibility emerges as a critical factor for sustainable performance, even surpassing environmental and economic concerns. This suggests that SMEs seeking long-term success should prioritize strong entrepreneurial marketing practices that emphasize opportunity, innovation, value creation, and proactiveness. Additionally, adopting a focused competitive strategy and integrating social responsibility into their core values are crucial for achieving sustainable performance.

Mediation analysis

In the mediation analysis, examining the relationships between entrepreneurial marketing practices (EMP), competitive advantage (CA), and the sustainability of firm performance (SFP), significant direct and indirect effects were identified. The direct effect of EMP on SFP (coefficient=0.372) is positive and significant. Similarly, the effects of EMP on CA (coefficient=0.886) and CA on SFP (coefficient=0.769) are also positive and significant. The indirect effect of Entrepreneurial marketing practices on sustainability of firm performance through competitive advantage was calculated as $0.886 \times 0.769 = 0.6810$. Given that both the direct and indirect effects are significant, this indicates partial mediation. In addition to this, the Sobel test was also made and the results showed that the mediating effect of competitive advantage between EMP and SFP was statistically and positively significant ($Z=16.1$), which is greater than 1.96. For SMEs, the results suggest that while direct efforts to improve the sustainability of the firm performance through entrepreneurial marketing practices are valuable, the indirect pathway mediated through competitive advantage is particularly impactful. With the higher coefficient for the indirect effect (0.681) compared to the direct effect (0.372), it is evident that focusing on enhancing competitive advantage via entrepreneurial marketing practices yields more substantial benefits for achieving sustainable firm

Table 10 Direct and indirect effect

S/N	Hypothesis path	Coefficient	P-values	Significance	Decision	Type of mediation
1	EMP CA	0.886	***	Significant	Supported	Partial mediation
2	EMP SFP	0.372	***	Significant	Supported	
3	CA SFP	0.769	***	Significant	Supported	
4	EMP CA SFP	0.681	***	significant	supported	

Source: Survey, 2023

**** represents that p-value is less than 0.001 or it is 0.000

performance. Thus, SMEs should prioritize strategies that bolster their competitive edge through entrepreneurial marketing to maximize their overall performance sustainability. See Table 10 for the details.

Discussion

This study examined how crucial entrepreneurial marketing practices (EMP) are for small and medium-sized businesses (SMEs) to achieve long-term success. These practices, which include a focus on opportunity, innovation, value creation, and proactiveness, are key drivers of performance. In this regard, SMEs first identify the opportunity, and then innovate their products to gain a competitive advantage (Carayannis & Alexander, 2002), which can also create value for their customers. Innovation might be the key to a thriving economy and solving social problems. By actively creating and utilizing knowledge, we can develop new ideas and solutions that drive economic growth (Carayannis et al., 2006). However, simply being entrepreneurial is not enough. The study emphasizes the importance of translating these actions into a competitive advantage. This is achieved through a focus strategy, which allows SMEs to concentrate resources and develop a unique market position (Arasa, 2022). The research goes a step further, highlighting the growing importance of social responsibility. By prioritizing social issues and integrating them into business practices, SMEs can build stronger relationships and enhance their reputation, ultimately leading to more sustainable performance (Larrán et al., 2015). In short, the recipe for long-term success for SMEs is a blend of entrepreneurial spirit, strategic focus, and a commitment to social responsibility.

The study hypothesizes and validates several hypotheses related to the direct and indirect effects of entrepreneurial marketing practices (EMP) on sustainable firm performance (SFP) and the mediating role of competitive advantage (CA). *Hypothesis 1* establishes a direct effect of entrepreneurial marketing on the sustainability of firm performance, with a coefficient of 0.372, signifying that a 1-unit increase in entrepreneurial marketing practices leads to a 0.372 rise in the sustainability of firm performance. This finding aligns with Sendawula et al. (2023) and Sodhi and John (2021), supporting the notion that entrepreneurial marketing practices significantly impact the sustainability of firm performance. *Hypothesis 2* establishes a substantial direct effect of entrepreneurial marketing practices on competitive advantage, with a coefficient of 0.886, emphasizing that a 1-unit increase in EMP results in a 0.886 rise in competitive advantage. This aligns with Stephen et al. (2019) and Agazu and Kero (2024) research, highlighting the positive association between entrepreneurial marketing practices and competitive advantage in SMEs. *Hypothesis 3* affirms an effect of competitive advantage on the sustainability of firm performance, with a coefficient of 0.769, indicating that a 1-unit increase in competitive advantage leads to a 0.769 increase in sustainability of firm performance. This is corroborated by the Gupta and Benson (2011) findings, suggesting that sustained competitive advantage positively influences the long-term performance of SMEs. *Hypothesis 4* introduces the mediating role of competitive advantage in the relationship between entrepreneurial marketing practices and sustainability of firm performance, with an indirect effect of 0.682. This indicates that the impact of entrepreneurial marketing practices on SFP is not only direct but also mediated through CA, a conclusion supported by Setyawati et al. (2017) and Hidayatullah et al. (2019) research. The Sobel test further

validates the statistical significance of this mediating effect, with $Z = 16.1$, surpassing the threshold of 1.96. In summary, the results underscore the relationship between EMP, CA, and SFP, emphasizing the dual direct and mediated pathways through which entrepreneurial marketing practices contribute to the sustainability of firm performance in SMEs.

In general, the study's findings build upon existing research by demonstrating how entrepreneurial marketing practices (EMP) influence the sustainability of firm performance (SFP) through competitive advantage (CA). Several studies support these positive and significant relationships. For instance, (Jones et al., 2013) link entrepreneurial marketing to long-term growth, a key element of sustainability of firm performance. Similarly, Hollensen and Saeidi (2023) explore frameworks of entrepreneurial marketing that lead to superior performance. The positive effect of entrepreneurial marketing practices on competitive advantage is further validated by research (Makmur et al., 2018), which found a positive link between entrepreneurial marketing practices and competitive advantage in entrepreneurial firms. Hidayat et al. (2022) add to this evidence by examining the relationship in Vietnamese SMEs. The positive impact of CA on SFP is well-established in the resource-based view, with seminal works (Pot, 2021) highlighting how competitive advantage leads to sustained performance. Finally, the mediating effect of CA is partially supported by research like (Gunday et al., 2011), who found capabilities similar to competitive advantage mediating the relationship between resources and firm performance. In conclusion, these studies provide strong evidence for the positive and significant relationships among entrepreneurial marketing practices, competitive advantage, and the sustainability of firm performance (Abu-rumman et al., 2021; Hidayatullah et al., 2019).

Conclusions

In conclusion, the study shows a young, male-dominated SME sector in the investigated areas. Most businesses are small (6–10 employees) and merchandise-oriented, with limited startup capital. Regarding the size difference of the enterprises, medium-sized businesses have a significant advantage over small businesses in terms of both competitive edge and long-term sustainability. This suggests that growing from a small to medium enterprise can lead to substantial benefits. These advantages are due to factors like increased resources, use of advanced technology, improved management practices, and more substantial market influence. Additionally, this research highlights that successful SMEs leverage a Holistic Approach: entrepreneurial marketing practices (opportunity focus, innovation, value creation, proactiveness) to build competitive advantage using focus strategy, ultimately leading to a sustainable firm performance with a strong emphasis on addressing social issues. In short, SMEs that are entrepreneurial, strategic, and socially responsible are best positioned for long-term success. Moreover, entrepreneurial marketing practices significantly enhance the sustainability of firm performance both directly and indirectly through the mediating role of competitive advantage. Entrepreneurial marketing practices directly boost the sustainability of the businesses and strongly influence competitive advantage, indicating the crucial role of entrepreneurial marketing in building

competitive advantages. Competitive advantage, in turn, has a substantial impact on the sustainability of firm performance, underscoring its importance for long-term firm success. Additionally, the mediating effect of competitive advantage highlights that entrepreneurial marketing performance's impact on SFP is better through the competitive advantage. These findings are supported by extensive literature, emphasizing that SMEs can achieve sustainable performance by integrating entrepreneurial marketing with a focus on competitive advantage (Agazu & Kero, 2024; Kiyabo & Isaga, 2020). This comprehensive understanding underscores the dual pathways through which entrepreneurial marketing practices contribute to the sustainability of firm performance, providing a valuable framework for SMEs aiming to enhance their long-term performance.

Practical and theoretical implications

The research findings have significant implications for businesses (practical) and society. For businesses, understanding specific entrepreneurial marketing practices that boost competitive advantage informs strategic decision-making, resource allocation, and training programs. By integrating these practices into their strategies, businesses can enhance market positioning and operational efficiency while enhancing a culture of innovation. Moreover, aligning marketing practices with sustainability enhances a business's image and contributes to environmental and social benefits, attracting socially responsible consumers and benefiting the broader economy and society. The study offers valuable insights into practical strategies, resource utilization, and positive community and environmental impact. The study suggests that focusing on opportunity, innovation, and value creation alongside a focus strategy of competitive advantage leads to sustained business performance for SMEs. To achieve this, SMEs should invest in training staff, embrace entrepreneurial marketing, and continuously adapt their strategies through monitoring and evaluation. Policymakers can further support SMEs by creating an innovation-friendly environment.

The study's theoretical implications are significant and multifaceted, emphasizing the pivotal role of entrepreneurial marketing practices in enhancing the sustainability of small and medium enterprises' performance in developing countries like Ethiopia. Thus, it highlights how entrepreneurs' proactive pursuit of market opportunities drives the sustainability of business performance. It also contributes to the existing theoretical literature in highlighting the partial mediation of competitive advantage in the relationship between entrepreneurial marketing practices and the sustainability of firm performance. Additionally, the strategic utilization and development of unique resources, including dynamic capabilities characterized by innovation and market orientation, are crucial for building and maintaining competitive advantages essential for long-term success. The empirical evidence provided bridges gaps in existing theories, offering a comprehensive perspective on the interconnectedness of opportunity recognition, resource utilization, and holistic sustainability. This approach not only enriches theoretical discourse, but also provides practical insights for SMEs aiming to achieve sustainable growth through strategic entrepreneurial marketing and competitive advantage.

Limitations and future research suggestions

The study was conducted on “Unveiling the nexus: the crucial role of competitive advantage in bridging entrepreneurial marketing practices and sustainable firm performance in small and medium enterprises”. The study did not consider large-scale enterprises and other types of enterprises other than the manufacturing, merchandising, services, and construction sectors in SMEs. Therefore, future researchers can widen the scope of the study and also add other endogenous or mediating/moderating/ variables to see the effects of entrepreneurial marketing practices on the given variables. In general, future researchers can address both conceptual and contextual gaps in the study.

Abbreviations

EMP	Entrepreneurial marketing practices
SFP	Sustainability of firm performance
SMEs	Small and medium enterprises
VC	Value creation
PRO	Proactiveness
INOV	Innovativeness
RL	Resource leverage
EI	Economic issues
CA	Competitive advantage
CRT	Calculated risk-taking
CII	Customer intensity
FS	Focus strategy
CL	Cost leadership
D	Differentiation
SI	Social issues
ENT	Environmental issues

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Author contributions

All authors actively participated in the creation of the manuscript by contributing, reading, and endorsing the final draft. The collaborative effort involved jointly designing the title, analyzing and interpreting the results, and preparing and approving the conclusive manuscript. The corresponding author initially proposed the title, with the other two authors subsequently editing and providing their approval. Additionally, all other tasks and activities related to the manuscript were equally shared among the authors.

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Competing interests

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