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# Entrepreneurial Marketing On Msmes Performance: The Role Of Competitive Advantage

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***Abstract***

*Micro, Small, and Medium Enterprises (MSMEs) make vital economic contributions yet remain vulnerable due to limited resources and rigid traditional marketing strategies. Entrepreneurial Marketing (EM) emerges as an innovative alternative to address these challenges. Consequently, this study analyzes the effect of EM on MSME performance in Bangkalan Regency, employing competitive advantage as a mediating variable to bridge existing empirical gaps. Using a quantitative approach, the research surveyed 150 MSME owners selected via purposive sampling, specifically those operating for at least three years. Data analysis using Structural Equation Modeling with Partial Least Squares (SEM-PLS) reveals that EM significantly enhances both competitive advantage and MSME performance. Furthermore, competitive advantage positively influences performance and mediates the relationship between EM and performance, although the mediation effect is relatively low. These findings emphasize the importance of implementing an adaptive approach, value-oriented marketing strategies to sustain business growth, suggesting that direct entrepreneurial actions are pivotal for MSMEs in developing regions.*

***Keywords: Competitive Advantage, Entrepreneurial Marketing, MSMEs Performance***

## INTRODUCTION

The role of Micro, Small, and Medium Enterprises (MSMEs) to the worldwide economic landscape is undeniable (Damayanti & Trisakti, 2025). They are actively involved in innovation, job creation, and the growth of Gross Domestic Product (GDP) (Andrianata & Rahayu, 2024; Sakti et al., 2025). Ministry data corroborates this, revealing that the sector accounts for over 60% of GDP and employs approximately 97% of the national workforce (Pratiwi et al., 2025). This clarifies that the MSME sector is directly correlated with economic growth and sustainability (Rahayu et al., 2025). Despite their substantial contribution, the majority of MSMEs remain in a vulnerable position (Devarajan, 2025), often facing challenges such as a lack of understanding regarding marketing strategies (Hisyam & Hadiah, 2024).

Theoretically, the limitations of MSMEs render conventional marketing strategies (Marketing Mix) increasingly irrelevant due to their rigidity, high costs, short-term orientation, and lack of flexibility in dealing with uncertainty (Jannah & Pranjoto, 2025; Mishrif & Khan, 2023). Consequently, Entrepreneurial Marketing or EM has emerged as a pivotal framework, synthesizing the distinct disciplines of marketing and entrepreneurship into a cohesive strategy (Tolossa et al., 2024). Morris et al. (2002) conceptualize EM as a proactive strategy focused on identifying and capitalizing on opportunities to win and keep valuable customers. This approach relies fundamentally on applying innovation to the management of risks, resources, and value creation. According to Morris et al. (2002) and Sadiku-Dushi et al. (2019), the framework encompasses seven distinct dimensions, notably proactiveness, innovativeness, calculated risk-taking, customer intensity, resource management, opportunity focus, and value creation. Hills & Hultman (2011) further emphasize that EM is a spirit and orientation in pursuing opportunities and establishing perceived value for customers by leveraging equity, innovation, creativity, and strategic networking.

The implementation of EM is intrinsic towards the establishment of a Competitive Advantage (Ferreira & Coelho, 2019; Pamuji, 2024). This advantage is characterized by a firm's distinctive ability to provide greater value or achieve cost efficiencies relative to its competitors, thereby securing a dominant market position (Kotler & Keller, 2015). It involves strategic

planning aimed at offering unique added value or lower costs to customers, thereby securing a superior position in the market (Zeebaree & Siron, 2017). For MSMEs, competitive advantage is achieved when the business possesses something unique or highly desirable that competitors lack (Thomran et al., 2022). This advantage acts as a critical bridge that transforms marketing efforts into tangible business results, ensuring long-term profitability and market solidity (English & Hoffmann, 2023).

Ultimately, the effectiveness of marketing strategies and competitive advantages is measured by MSME Performance. Performance in this context refers to the "value" delivered to customers, owners, and managers (Porter, 1990). Laitinen (2002) defines performance as a firm's ability to achieve results consistent with predetermined targets. While often measured financially through Return on Assets or Return on Investment (Anwar, 2018), MSME performance is multidimensional, encompassing non-financial aspects such as efficiency, growth, reputation, and the reaching of the owner's personal goals (Sadiku-Dushi et al., 2019).

However, there is a significant empirical gap concerning the correlation between these variables. While others studies suggest that EM positively influences competitive advantage (Agazu & Kero, 2024; Otika et al., 2022) and MSME performance (Sadiku-Dushi et al., 2019), other findings present inconsistencies. For instance, Naparin, (2024) revealed that competitive advantage does not exert a statistically significant effect on MSME performance, and Fard & Amiri (2018) noted that EM does not influence production performance. Furthermore, the role mediation in competitive advantage is debated Tolossa et al. (2024) found it to be a significant positive mediator, whereas Teddy et al. (2025) found the relationship between EM and performance intervening by competitive advantage to be insignificant.

The concept of EM emerged as a theoretical synthesis of two distinct disciplines: entrepreneurship and marketing (Wang & Abbas, 2025). This conceptual evolution was driven by the growing realization that traditional marketing frameworks such as the conventional marketing mix are often ill-suited for MSMEs. Traditional approaches are frequently perceived as rigid, cost-intensive, and short-term oriented, lacking the necessary flexibility to navigate resource constraints and environmental uncertainties (Jannah & Pranjoto, 2025; Mishrif & Khan, 2023).

Historically, the intersection of these fields has been discussed for decades (Hills & Hultman, 2011), with early foundational work by Murray (1981) and Morris et al. (1988). By the 1990s, EM developed into a robust research trend (Hills & Hultman, 2011). While definitions vary, a consensus exists that EM represents a deviation from conventional practices. Stokes (2000) simply defined it as marketing undertaken by entrepreneurs. However, the most widely cited definition is provided by Morris et al. (2002), who describe EM as the "*proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging, and value creation.*" Based on the diverse definitions in the literature (e.g., Kraus & Harms, 2010; Whalen et al., 2015), EM is operationally defined in this study as a marketing strategy that actively emphasizes innovative approaches, risk management, opportunity exploitation, and value creation. To measure this construct, scholars have proposed various dimensions. Jones et al. (2013) identified 15 dimensions, while Kilenthong et al. (2015) proposed 6 dimensions. To measure EM, this research relies on the widely recognized framework by Morris et al. (2002), which encompasses seven key dimensions which is proactiveness, calculated risk-taking, innovativeness, customer intensity, resource leveraging, opportunity focus, and value creation.

The development of competitive advantage in MSMEs is positively correlated with the implementation of EM (Tolossa et al., 2024). Entrepreneurs frequently employ creative and proactive marketing techniques that help set their goods and services apart from competitors. These tactics, which include customer orientation, market targeting, and innovation, can provide a distinct market position that can be regarded as a competitive advantage (Fiore et al., 2013;

Hult et al., 2004; Tolossa et al., 2024). Another study found that EM significantly increased SMEs' competitive advantage (Hasanah & Jannah, 2024). Competitive advantage has been shown to improve the performance of MSMEs in terms of cost, distinctiveness, and direction (Fiore et al., 2013; Tolossa et al., 2024). According to Ananda & Mikhratunnisa (2025), enhancing MSME performance is significantly impacted by competitive advantage. According to studies by Ferreira & Coelho (2019) and Otache & Usman (2024), MSME performance is positively impacted by competitive advantage.

According to Fintan & Mbura (2016), MSME performance is positively impacted by EM dimensions. This is consistent with research showing that EM significantly and favorably affects overall MSME performance (Sadiku-Dushi et al., 2019). This claim is supported by Tolossa et al. (2024), who claim that EM improves MSME performance. Morris et al. (2002) found a positive and reciprocal relationship between MSME performance, competitive advantage, and EM. This is corroborated by Tolossa et al. (2024), who found a strong and positive relationship between the three. Unlike the two, the Teddy & Ie (2025) investigation found a positive but negligible correlation between the three.

H1: Entrepreneurial marketing significantly improves MSMEs' competitive advantage in Bangkalan.
H2: Competitive advantage significantly improves MSME performance in Bangkalan.
H3: Entrepreneurial marketing significantly improves MSME performance in Bangkalan.
H4: Entrepreneurial marketing significantly improves MSME performance, with competitive advantage acting as a mediator in Bangkalan MSMEs.

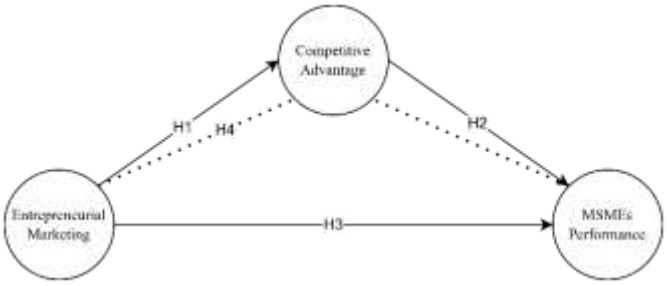


Figure 1. Conceptual Framework

## RESEARCH METHODS

A quantitative approach with descriptive features was adopted in this study to assess the formulated hypotheses (Waruwu et al., 2025). The research subjects are MSMEs located in Bangkalan Regency. The population encompasses all MSME actors operating within this region. To determine the sample, the study utilizes a non-probability sampling technique, specifically purposive sampling. The selection criteria require respondents to be active MSMEs in Bangkalan that have been maintained operating for at least 3 years, ensuring that the owners or managers possess adequate experience and understanding of their business operations (Dhameria et al., 2021; Hasanah & Jannah, 2024). The calculation for the sample size involved the multiplication of the indicators (15 indicators) by 5 to 10, resulting in a target sample range of 75 to 150 respondents (Hair et al., 2019).

The research framework classifies Entrepreneurial Marketing as the independent variable and the dependent variable was MSME Performance, while Competitive Advantage serves as the mediator. To acquire primary data, the researchers disseminated survey questionnaires that incorporated a 5-point Likert scaling system. Secondary data was obtained through documentation from the Department of Cooperatives and Micro Enterprises.

To process the data, the research employed Structural Equation Modeling (SEM) rooted in the Partial Least Squares (PLS) method, facilitated by SmartPLS 3 software. The analytical framework adheres to the multi-phase evaluation guidelines established by Hair et al. (2019, 2021). The analytical procedure starts by examining the measurement model to verify the reliability and validity of the scales. This involves a comprehensive review of metrics including Outer Loadings, Composite Reliability (CR), Cronbach's Alpha, and AVE (Average Variance Extracted). Furthermore, discriminant validity is rigorously tested using both the Fornell-Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT). Subsequently, the structural model is examined to test the research hypotheses by analyzing collinearity (Inner VIF), structural path estimates and their corresponding significance levels (indicated by t-statistics and p-values), and effect sizes (f-square). The final stage involves assessing the model's overall goodness-of-fit, utilizing the R square statistic to quantify the explained variance, Q square for assessing predictive power and the SRMR metric for model fit.

## RESULT AND DISCUSSION

### Result

Respondent Characteristics The data collection process yielded 150 valid questionnaires from MSMEs in Bangkalan Regency that met the criteria of operating for at least three years. Regarding respondent characteristics, the data highlights a majority of entrepreneurs within the productive age bracket, with business activities largely clustered in specific sectors.

Table 1. Respondent Demographics

| Category | Sub-Category | Frequency | Percentage |
|---|---|---|---|
| Age | 17 - 25 Years | 17 | 11% |
| | 26 - 45 Years | 93 | 61% |
| | 46 - 65 Years | 43 | 28% |
| Gender | Male | 72 | 47% |
| | Female | 81 | 53% |
| Business Activity | Manufacturing | 86 | 56% |
| | Trading | 51 | 33% |
| | Services | 16 | 11% |

Source: Processed Data (2025)

As presented in Table 1, most of the respondents classified within 26-45 age range, reflecting a high interest in entrepreneurship among the adult workforce. Regarding gender, female entrepreneurs slightly outnumber their male counterparts. In terms of business activities, the manufacturing sector constitutes the largest proportion of the sample, followed by trading and services. Geographically, the highest concentration of respondents is located in Kamal District, followed by Bangkalan District.

### Measurement Model Evaluation

To evaluate the EM constructs, the research employs a reflective measurement model, competitive advantage, and MSME performance. Guided by the framework outlined by Hair et al. (2019), the model evaluation includes examining factor loadings, CR, and Cronbach's alpha which is greater than 0.70, as well as AVE > 0.50. Furthermore, discriminant validity is verified by the Fornell-Larcker criterion and ensuring the HTMT remains below 0.90.

**Construct Reability and Validity**

Table 2. *Outer Loadings, Cronbach's Alpha, Composite Reability,* and AVE

| Variable | Measurement Item | Outer Loadings | Cronbach's Alpha | Composite Reability | AVE |
|---|---|---|---|---|---|
| Entrepreneurial Marketing | EM2 | 0.820 | 0.937 | 0.946 | 0.613 |
| | EM3 | 0.810 | | | |
| | EM4 | 0.843 | | | |
| | EM5 | 0.814 | | | |
| | EM6 | 0.793 | | | |
| | EM7 | 0.708 | | | |
| | EM8 | 0.748 | | | |
| | EM9 | 0.826 | | | |
| | EM10 | 0.787 | | | |
| | EM13 | 0.717 | | | |
| | EM14 | 0.733 | | | |
| Competitive Advantage | KK2 | 0.810 | 0.843 | 0.906 | 0.764 |
| | KK3 | 0.923 | | | |
| | KK4 | 0.884 | | | |
| MSMEs Performance | KK1 | 0.860 | 0.893 | 0.918 | 0.653 |
| | KK2 | 0.844 | | | |
| | KK3 | 0.759 | | | |
| | KK4 | 0.818 | | | |
| | KK5 | 0.799 | | | |
| | KK7 | 0.763 | | | |

Source: Processed Data (2025)

The assessment of the EM variable relied on 11 measurement items, all of which demonstrated validity with outer loadings spanning from 0.708 to 0.843. Reliability analysis confirmed the internal consistency of construction, as both Cronbach's Alpha and CR scores surpassed the 0.70 threshold. Furthermore, the construct achieved satisfactory convergent validity with an AVE of 0.613 (exceeding the 0.50 benchmark), implying that the variable explains 61.3% of the indicator variance. Notably, items EM2, EM3, EM4, EM5, and EM9 exhibited the strongest performance among MSME actors in Bangkalan, recording the highest loadings of 0.820, 0.810, 0.843, 0.814, and 0.826, respectively.

The Competitive Advantage construct was assessed using three measurement items, all yielding valid outer loadings of 0.810, 0.884, and 0.923, implying that these three items validly represent the measurement of competitive advantage. Both Cronbach's Alpha and CR scores surpassed the 0.70 threshold, confirming acceptable reliability. Furthermore, the AVE stood at 0.764, exceeding the 0.50 benchmark, which indicates robust convergent validity. This result confirms substantial convergent validity, as the explained variance of the indicators stands at 76.4%. Among the three measurement items, KK3 emerged as the highest, with an outer loading value reaching 0.923.

Furthermore, the MSME Performance construct was evaluated using six measurement items, all of which demonstrated validity with outer loadings falling between 0.759 and 0.860. Internal consistency was confirmed, as both Cronbach's Alpha and CR scores exceeded the 0.70 threshold. Furthermore, the analysis confirmed robust convergent validity, as the AVE reached 0.653, exceeding the required 0.50 threshold. This result implies that the construct reflects 65.3%

of the variance within the measurement items. Specifically, indicator KK1 demonstrated the highest contribution with a loading of 0.860.

**Discriminant Validity**

Table 3. Fornell-Larcker Criterion

| | Entrepreneurial Marketing | Competitive Advantage | MSME Performance |
|---|---|---|---|
| Entrepreneurial Marketing | 0.783 | | |
| Competitive Advantage | 0.678 | 0.874 | |
| MSME Performance | 0.683 | 0.626 | 0.808 |

Source: Processed Data (2025)

To ensure the empirical uniqueness of theoretical constructs, to demonstrate the empirical distinctiveness of the latent variables, the Fornell-Larcker criterion served as the basis for the discriminant validity assessment. This criterion stipulates that the construct's AVE square root must outweigh the correlation coefficients between that construct and other variables. The analysis demonstrates that the AVE's square root for Entrepreneurial Marketing (0.783) surpasses its correlation with Competitive Advantage (0.678) and MSME Performance (0.683). These analysis show that the discriminant validity for the EM has been fulfilled. Similarly, the Competitive Advantage variable possesses a AVE's square root (0.874) that exceeds its correlation with MSME performance (0.626). This result further confirms that the discriminant validity for the Competitive Advantage variable is fulfilled.

Table 4. Heterotrait Monotrait Ratio

| | Entrepreneurial Marketing | Competitive Advantage | MSME Performance |
|---|---|---|---|
| Entrepreneurial Marketing | | | |
| Competitive Advantage | 0.754 | | |
| MSME Performance | 0.727 | 0.703 | |

Source: Processed Data (2025)

To enhance the rigorousness of validity testing, the HTMT was employed, as Hair et al. (2019) advocate for its superior sensitivity in identifying validity concerns compared to traditional metrics. The analysis reveals that all construct pairs yielded HTMT values beneath the recommended 0.90 threshold. This outcome confirms the establishment of discriminant validity, indicating that the constructs represent empirically distinct and share more variance internally than with other variables.

**Structural Model Evaluation**

The assessment of the structural model centers on examining the hypothesized links between variables. This assessment follows a three-stage process, beginning with a collinearity check using the Inner VIF. According to Hair et al. (2019), an Inner VIF value below 5 signifies that multicollinearity is not present among the variables.

Subsequently, the significance of the relationships was determined through an examination of p-values and t-statistics. A statistically significant relationship is confirmed when the t-statistic exceeds the critical value of 1.96 or the p-value drops below the 0.05 level. Additionally, to ensure rigorous reporting as suggested by Hair et al. (2019), we present both the path coefficients and the 95% confidence intervals. Finally, the f square index indicating the substantive direct influence of variables at the level of structural. The effect is assessed using criteria of 0.35 (high), 0.15 (moderate), and 0.02 (low) (Hair et al., 2021). Furthermore, the mediation effect size is measured by the Upsilon v statistic, derived by calculating the square of the mediation coefficient, as outlined by Lachowicz et al. (2018) as interpreted in Ogbeibu et al. (2022), The magnitude of the mediator's role was evaluated based on established criteria. The

threshold values of 0.175, 0.075, and 0.02 correspond to high, medium, and low mediation effects.

Table 5. Inner VIF

| | Entrepreneurial Marketing | Competitive Advantage | MSME Performance |
|---|---|---|---|
| Entrepreneurial Marketing | | 1.000 | 1.853 |
| Competitive Advantage | | | 1.853 |
| MSME Performance | | | |

Source: Processed Data (2025)

Prior to initiating examining the path relationships in the model structural, it is essential to assess potential multicollinearity among the variables by employing the Inner Variance Inflation Factor (VIF) statistic. Results of the analysis demonstrate that the Inner VIF scores are consistently below 5, indicating low and acceptable levels of multicollinearity. Consequently, this evidence supports the conclusion that the estimated parameters are free from bias and robust, estimates generated within the SEM-PLS framework.

Table 6. Hypothesis Testing (Direct Effect)

| Hypothesis | Patch Coefficient | P Values | 95% confidence intervals for the path coefficient | | f square |
|---|---|---|---|---|---|
| | | | Lower Limit | Upper Limit | |
| H1. Entrepreneurial Marketing → Competitive Advantage | 0.678 | 0.000 | 0.584 | 0.766 | 0.853 |
| H2. Competitive Advantage → MSME Performance | 0.300 | 0.001 | 0.132 | 0.456 | 0.100 |
| H3. Entrepreneurial Marketing → MSME Performance | 0.479 | 0.000 | 0.318 | 0.646 | 0.256 |

Source: Processed Data (2025)

Based on the hypothesis testing results presented above, the findings are as follows:
The findings substantiate the first hypothesis (H1), demonstrating that EM exerts a positive and significant impact on competitive advantage, with a 0.678 of path coefficient and a 0.000 of p-value (< 0.05). Any change in EM will subsequently affect competitive advantage. Considering the boundaries of the 95% confidence interval, the effect size of EM's influence on enhancing competitive advantage ranges from 0.584 to 0.766. Furthermore, the structural analysis confirms that EM exerts a substantial impact on competitive advantage, evidenced by an f square value of 0.853. The implementation of EM in entrepreneurship can assist MSME actors in Bangkalan Regency in improving their competitive advantage.

Consequently, hypothesis 2 (H2) is confirmed, the analysis confirms that competitive advantage exerts a significant and positive impact on MSME performance, evidenced by 0.300 of path coefficient and 0.001 of p-value (< 0.05). This finding establishes that variations in competitive advantage directly correlate with shifts in business performance. Within the 95% confidence interval, the extent of competitive advantage's influence on improving MSME performance ranges from 0.132 to 0.456. However, at the structural level, the contribution of competitive advantage to enhancing MSME performance demonstrates a small effect size, evidenced by an f square value of 0.100.

The results also lend support to the third hypothesis (H3), the results confirms that EM significantly and positively drives MSME performance, evidenced by 0.479 of path coefficient and 0.000 of p-value (< 0.05). small changes in EM will influence MSME performance. Within the 95% confidence interval, the magnitude of EM's influence on enhancing MSME performance ranges from 0.318 to 0.646. Furthermore, the calculation of f square yielded a value of 0.256,

confirming that EM has a moderate effect size on MSEME performance. The utilization of EM is considered highly necessary, when MSME actors implement EM, they can effectively improve their business performance.

Table 7. Hypothesis Testing (Indirect Effect)

| Hypothesis | Patch Coefficient | P Values | 95% confidence intervals for the path coefficient | | F Square |
|---|---|---|---|---|---|
| | | | Lower Limit | Lower Limit | |
| H.4 Entrepreneurial Marketing → Competitive Advantage → MSME Performance | 0.204 | 0.001 | 0,088 | 0,334 | 0,041 |

Source: Processed Data (2025)

The analytical findings support the acceptance of the fourth hypothesis (H4), thereby confirming that competitive advantage acts as a significant mediator in the positive relationship between EM and MSME performance. This conclusion is substantiated by a path coefficient of 0.204 and a significance level of 0.001 (< 0.05). However, the structural assessment categorizes this mediation effect as low, indicated by an Upsilon v value of 0.041. Looking at the 95% confidence interval, the magnitude of this mediation has the potential to reach an upper limit of 0.334.

**Evaluation of Godness and Fit of The Model**

Partial Least Squares (PLS) functions as a variance-based SEM methodology designed to verify theoretical frameworks, with a specific orientation toward predictive research Consequently, Various metrics have been established to assess the adequacy of the proposed model, such as R Square, Q Square, and SRMR (Hair et al., 2019).

Table 8. R Square

| | R Square | R Square Adjusted |
|---|---|---|
| Competitive Advantage | 0.460 | 0.457 |
| MSME Performance | 0.515 | 0.509 |

Source: Processed Data (2025)

After assessed the model's predictive power using R square, which reflects the combined explanatory power of the exogenous constructs on the endogenous variable. Adhering to the thresholds established by Chin (1998) where 0.19, 0.33, and 0.66 represent low, moderate, and high effects, respectively the model demonstrates moderate explanatory power. Specifically, Entrepreneurial Marketing explains 46% of the variance in competitive advantage. Furthermore, the combined influence of Entrepreneurial Marketing and competitive advantage accounts for 51.5% of the variance in MSME performance, categorizing both effects as moderate.

Table 9. Q Square

| | SSO | SSE | $Q^2$ (=1-SSE/SSO) |
|---|---|---|---|
| Competitive Advantage | 450.000 | 293.386 | 0.348 |
| MSME Performance | 900.000 | 606.520 | 0.326 |

Source: Processed Data (2025)

Predictive relevance in the PLS framework is assessed using the Q square metric, which assesses the predictive power of the model regarding the endogenous constructs. While a value greater than zero establishes basic relevance, Hair et al. (2019) provide specific qualitative thresholds 0.50 (high), 0.25 (moderate), and 0 (low). The analysis yielded Q square values of 0.348 for Competitive Advantage and 0.326 for MSME Performance. As both figures exceed the 0.25 benchmark, the model is confirmed to possess a moderate level of predictive accuracy.

Table 10. SRMR

| | Taksiran Model |
|---|---|
| SRMR | 0.072 |

Source: Processed Data (2025)

SRMR or Standardized Root Mean Square Residual serves as a goodness-of-fit index, reflecting the magnitude of the divergence between the gap between the correlations found in the data and those hypothesized by the structural model. Hair et al. (2019) propose that a model demonstrates a good fit when the SRMR value drops below 0.08. However, Schermelleh et al. (2003) propose that an SRMR falling within the 0.08 to 0.10 range reflects a model with acceptable fit. With a result of 0.072, the model is considered to have a satisfactory goodness-of-fit.

**Discussion**

**The Influence of Entrepreneurial Marketing on Competitive Advantage**

Study provides robust empirical evidence that Entrepreneurial Marketing (EM) acts as a critical antecedent to competitive advantage for MSMEs in Bangkalan Regency. The analysis reveals a strong positive correlation, suggesting that the integration of proactiveness, calculated risk-taking, and innovativeness into marketing strategies allows resource-constrained firms to establish a superior market position. Specifically, the high score on the *Value Creation* indicator implies that local MSMEs differentiate themselves by prioritizing superior customer experiences and delivering unique value propositions that competitors cannot easily replicate.

These align with the findings of Tolossa et al. (2024) and Agazu & Kero (2024), who argue that EM plays a pivotal role in driving high levels of competitive advantage. By adopting an entrepreneurial mindset, MSMEs can effectively navigate market uncertainties and leverage limited resources to create distinct competencies. Furthermore, this study aligns with the perspective of Morris et al. (2002) and Ferreira & Coelho (2019), which posits that the proactive identification of opportunities and innovative resource management are fundamental in constructing a sustainable competitive edge that distinguishes a firm from traditional market players.

**The Influence of Competitive Advantage on MSME Performance**

The results confirm that competitive advantage has a significant positive impact on MSME performance. MSMEs that successfully employ differentiation strategies providing unique services or products demonstrate superior financial outcomes, growth, and efficiency. However, this effect size is minor relative to the substantial direct impact of marketing strategies. This suggests that while competitive advantage is a necessary condition for success, the highly competitive and somewhat homogenous market structure in Bangkalan may limit the immediate exponential conversion of advantage into performance metrics.

Nevertheless, this finding remains consistent with the work of Novitasari & Agustia (2023) and Ferreira & Coelho (2019), who assert that competitive advantage serves as a vital catalyst that transforms strategic positioning into tangible performance results. It also supports the conclusion of Otache & Usman (2024), which emphasizes that without a clear competitive advantage, innovation efforts are less likely to translate into sustained profitability. Thus, for MSMEs in Bangkalan, maintaining product uniqueness remains a prerequisite for stabilizing performance amidst market fluctuations.

**The Influence of Entrepreneurial Marketing on MSME Performance**

A pivotal finding of this research is the significant direct influence of Entrepreneurial Marketing on MSME performance, categorized as a moderate effect. This indicates that entrepreneurial behaviors such as the agility to seize opportunities and the flexibility to adapt to customer needs can be directly converted into increased sales and business growth without necessarily relying entirely on formal competitive advantages. The direct pathway highlights the

"action-oriented" nature of MSMEs in Bangkalan, where execution speed often trumps formal strategic positioning.

This direct relationship is strongly supported by Sadiku-Dushi et al. (2019), who found that EM dimensions, particularly customer intensity and proactiveness, have the strongest impact on overall business success. Similarly, Sakti et al. (2025) and Fintan & Mbura (2016) provide supporting evidence that an agile, "bottom-up" marketing approach is highly effective in boosting performance, especially in dynamic business environments where traditional planning is too rigid. Consequently, this study confirms that for MSMEs, the active implementation of EM practices is a primary driver of operational success.

**The Mediating Role of Competitive Advantage**

This study successfully validating the capacity of competitive advantage to function as a statistically significant intermediary, albeit with a partial and low effect size. This implies a dual pathway to performance improvement: a dominant direct path where entrepreneurial actions yield immediate results, and an indirect path where these actions first build a solid foundation of competitive advantage that subsequently enhances performance.

The existence of this mediation pathway validates the conceptual framework proposed by Morris et al. (2002) regarding the intrinsic interlinkage between marketing, advantage, and performance. This aligns with previous research by Tolossa et al. (2024), who identified competitive advantage as a crucial bridge for long-term sustainability. Although Teddy et al. (2025) observed that this relationship lacked statistical significance within a distinct research setting, the current study reinforces that in Bangkalan Regency, the integration of innovative marketing with unique product advantages is essential. While direct marketing actions drive immediate sales, the mediation through competitive advantage ensures that this performance is not merely transient but sustainable.

## CONCLUSION

Based on the empirical analysis of MSMEs in Bangkalan Regency, this study determines that Entrepreneurial Marketing acts as a cornerstone for ensuring both the longevity and expansion of businesses. This study confirms that the deployment of entrepreneurial marketing strategies, particularly through proactive behavior, risk management, and value creation, leads to substantial improvements in MSMEs competitiveness and performance. While competitive advantage, particularly through product differentiation, positively contributes to business performance and serves as a critical mediating link between marketing initiatives and business performance, the study reveals that the direct impact of EM actions on MSMEs performance is remarkably robust. This implies that for MSMEs operating in dynamic environments with limited resources, the agility to actively identify opportunities and innovate provides immediate performance benefits, while the simultaneous construction of a unique competitive position ensures that these performance gains are resilient and sustainable in the long term.

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