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THE ROLE OF COMPETITIVE ADVANTAGE IN MEDIATING THE EFFECT OF ENTEPRENEURIAL MARKETING ON SUSTAINABLE BUSINESS PERFORMANCE AMONG MADURA BATIK MSMES

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Abstract

The rapid dynamics of the creative industry require Micro, Small, and Medium Enterprises (MSMEs) to continuously adapt in order to maintain business continuity. Despite possessing rich cultural heritage, Madura batik MSMEs frequently face market saturation, intense competition, and fluctuating demand, which threaten their long-term sustainability. Addressing this challenge, this study aims to examine the mediating role of competitive advantage in the relationship between entrepreneurial marketing and the sustainable business performance of Madura batik MSMEs. Employing an explanatory quantitative approach, primary data were collected through structured questionnaires distributed to 100 Madura batik MSME owners across four regencies: Bangkalan, Sampang, Pamekasan, and Sumenep. Respondents were selected using a purposive sampling technique, with the sample size determined via the Lemeshow formula due to the unknown exact population size. The collected data were analyzed using Structural Equation Modeling-Partial Least Squares (SEM-PLS) with SmartPLS 4 software to evaluate both the measurement and structural models. The empirical results reveal that entrepreneurial marketing has a positive and significant direct effect on both competitive advantage and sustainable business performance. Furthermore, competitive advantage positively influences sustainable business performance and significantly mediates the relationship between entrepreneurial marketing and sustainable business performance. These findings contribute to the strategic management literature by confirming that innovative, proactive, and customer-focused marketing strategies are crucial catalysts for building distinctive value. Practically, Madura batik entrepreneurs and local policymakers should prioritize entrepreneurial marketing practices to strengthen competitive positioning and achieve long-term economic, social, and environmental sustainability.

Keywords: *Entrepreneurial Marketing, Competitive Advantage, Sustainable Firm Performance, Madura Batik MSMEs*

1. INTRODUCTION

The creative industry is growing rapidly by leveraging innovation, creativity, cultural values, and product differentiation as sources of value. These conditions provide

opportunities for MSMEs to develop products that offer uniqueness and added value. However, amid competition and shifting consumer needs, MSMEs must be able to identify opportunities, build relationships with customers, drive innovation, and adapt their marketing strategies (Khlystova & Kalyuzhnova, 2023; Alamsyah et al., 2024 ; Muchson et al., 2024). Batik is one of the creative industries with significant potential for development because it reflects local identity and culture while also possessing economic value (Raya et al., 2021; Ekawati & Rachma, 2026).

Many Maduran batik MSMEs possess unique cultural value and distinctive motifs that set them apart from their competitors. Furthermore, their presence boosts the local economy and creates jobs in the region (Kustiyahningsih, Khozaimi and Purnama, 2024). However, these opportunities are accompanied by various challenges, such as market competition, limited marketing reach, changing consumer needs, and the need for innovation to sustain the business (Agustinah et al., 2025; Fawaid et al., 2026; Harsanto et al., 2026). In response to these challenges, marketing management has become a crucial strategic process that encompasses the planning, implementation, monitoring, and evaluation of activities to achieve organizational goals while meeting customer needs (Aripin., 2021;Anggraeni et al., 2023). In practice, marketing management must adapt to advances in digital technology and implement segmentation, targeting, and positioning so that marketing strategies align with market characteristics and demands (Latief & Asniwati, 2023;Yulianto Andi, 2024;Wirapraja et al., 2024). These strategies aim to make it easier for consumers to access products, increase sales, and coordinate marketing activities to achieve (Darsana et al., 2023; Nurhadi, 2023).

More specifically for MSMEs, marketing is integrated with entrepreneurship to foster a proactive, innovative, and flexible approach in responding to the daily variations and changes in market deman (Ali *et al.*, 2024). Entrepreneurial marketing plays a crucial role in this context, as it emphasizes business owners' ability to identify opportunities, innovate, take risks, and build relationships with customers to create value (Tolossa et al., 2024; Alshagawi & Mabkhot, 2024).

Competitive advantage enables MSMEs to create distinctive value through quality, innovation, product uniqueness, market responsiveness, and excellence (Farida & Setiawan, 2022;Setyaningrum et al., 2023). Theoretically, this advantage is also shaped by consumer perceptions of business operations and the strengths of the products offered (Komari, 2025). Based on Porter's (1985) concept as cited in Tolossa et al. (2024), competitive advantage has three indicators: cost leadership, product differentiation, and strategic focus. Furthermore, this advantage can help sustain business performance, which in this study encompasses economic and social aspects based on the Triple Bottom Line concept (Elkington, 1997, in Tolossa et al., 2024). Sustainable business performance itself refers to a business's ability to improve operational efficiency and drive long-term

productivity while minimizing the impact of economic, social, and environmental factors (Akhimien & Adekunle, 2023 ; Salvador et al., 2023).

Previous research has yielded inconsistent findings. Hanaysha & Al-Shaikh (2022) argued that certain aspects of entrepreneurial marketing can have a significant positive impact on business performance, whereas Alqahtani et al. (2025) found that most aspects have a significant positive impact on business performance. Suandi & Yulihasri (2022) ound that entrepreneurial marketing has a positive impact on competitive advantage; conversely, Ho et al. (2022) found that certain entrepreneurial marketing processes do not have a significant impact on differentiation advantage. Tufan & Mert (2023) and Astuti et al. (2023) identified a positive correlation between competitive advantage and performance; however, Rita et al. (2022) reported different results regarding Lasem batik MSMEs.

There are various perspectives on competitive advantage as a mediating variable. Suandi & Yulihasri, (2022) and Tolossa et al. (2024) support the role of competitive advantage in the relationship between entrepreneurial marketing and business performance. Conversely, Rhozi et al. (2025) found that although the direct effect was significant, the indirect effect of entrepreneurial marketing on performance was not significant. This inconsistency highlights the need for further research, particularly regarding Madura batik MSMEs, which stand out as a creative industry rooted in local culture. By examining competitive advantage in Madura batik MSMEs, this study offers a new contribution.

Taking these factors into account, the objective of this study is to examine how competitive advantage influences the relationship between entrepreneurial marketing and sustainable business performance among Madura batik MSMEs.

2. RESEARCH METHOD

Direct and indirect relationships among variables were evaluated in this study using a quantitative approach with the PLS-SEM method. Based on Lemeshow's formula, which specifies a margin of error of 10%, a minimum of 97 respondents was required. This study set the sample size at 100 respondents to meet the minimum sample size requirement and to account for invalid or unusable data, as was done by (Penry and Panggabean, 2026). The criteria for selection were MSME batik business owners in Bangkalan, Sampang, Pamekasan, or Sumenep Regencies who had been in operation for at least three years and were still active at the time the study was conducted. Sampling was conducted using purposive sampling combined with non-probability sampling. Data collection was conducted using a questionnaire with a four-point Likert scale, where 1 meant "strongly disagree" and 4 meant "strongly agree." The scale did not include a

neutral option, so respondents could not express a neutral stance toward any statement (Kankaraš and Capecchi, 2025).

In the data analysis, smartPLS 4 was used with the SEM-PLS approach to test the outer loading values. These criteria are met when the outer loading (> 0.70), AVE (> 0.50), HTMT (> 0.90), composite reliability, and Cronbach's alpha (> 0.70) are used to assess validity and reliability. To evaluate the internal model, values of 0.25, 0.50, and 0.75 represent R^2 values indicating weak, moderate, and strong relationships, respectively, while 0.02, 0.15, and 0.35 indicate small, moderate, and large f^2 values, respectively. In addition, bootstrapping hypothesis testing was used to evaluate direct and indirect effects, as evidenced by the path coefficients and specific indirect effects, with t (>1.96) and p (<0.05) (Hair et al., 2022). The conceptual framework for this research approach is illustrated in the following figure:

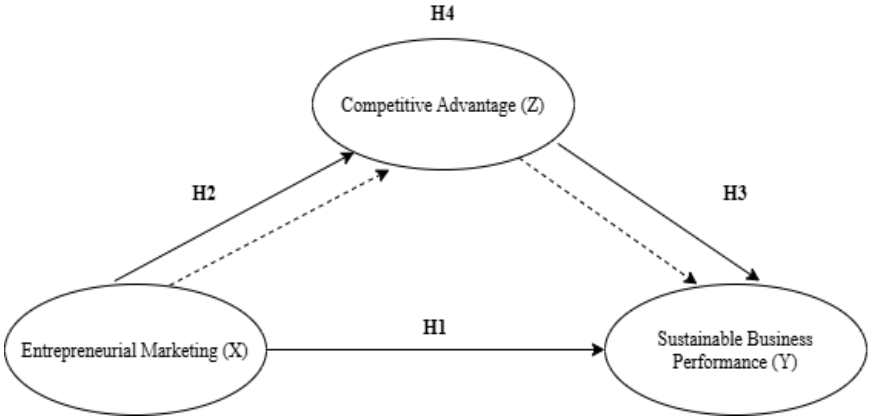


Figure 1. Conceptual Framework

HYPOTHESIS DEVELOPMENT

H1: Entrepreneurial Marketing has a Positive and Significant Effect on Sustainable Business Performance

H2: Entrepreneurial Marketing has a Positive and Significant Effect on Competitive Advantage

H3: Competitive Advantage has a positive and significant effect on sustainable business performance

H4: The role of competitive advantage in mediating the effect of entrepreneurial marketing on sustainable business performance

3. RESULT and DISCUSSION

3.1 Result

3.1.1 Validity Test

The outer model is a stage in the convergent validity test used to determine the correlation between the instrument and each variable. The instrument is considered to meet

the criteria if the correlation is greater than 0.70, whereas indicators with values below this threshold should be eliminated. The outer loading test in the first stage revealed that not all instruments showed an outer loading value >0.70; therefore, the test was repeated until the factor loading values for each instrument were >0.70. In this study, all factor loadings were deemed valid in the fourth testing stage. The results of this analysis are shown in Table 1 below.

Table 1. Validity Test Based on First-Satge Factor Loadings

Instrument	Competitive Advantage (Z)	Entrepreneurial Marketing (X)	Sustainable Business Performance (Y)	Notes
CA1	0.763			Accepted
CA2	0.812			Accepted
CA3	0.734			Accepted
CA4	0.634			Not Accepted
CA5	0.654			Not Accepted
EM1		0.667		Not Accepted
EM2		0.682		Not Accepted
EM3		0.691		Not Accepted
EM4		0.687		Not Accepted
EM5		0.648		Not Accepted
EM6		0.736		Accepted
EM7		0.726		Accepted
EM8		0.774		Accepted
EM9		0.608		Not Accepted
EM10		0.630		Not Accepted
EM11		0.746		Accepted
EM12		0.625		Not Accepted
EM13		0.712		Accepted
EM14		0.743		Accepted
SFP1			0.769	Accepted
SFP2			0.829	Accepted
SFP3			0.716	Accepted
SFP4			0.718	Accepted

Source: *SmartPLS Output Results 4.1.1.8 (2026)*

Table 2. Re-test of Validity Based on Factor Loadings

Instrument	Competitive Advantage (Z)	Entrepreneurial Marketing (X)	Sustainable Business Performance (Y)	Notes
CA1	0.873			Accepted
CA2	0.864			Accepted
CA3	0.775			Accepted

EM6	0.799		Accepted
EM7	0.837		Accepted
EM8	0.849		Accepted
EM11	0.792		Accepted
EM14	0.795		Accepted
SFP1		0.812	Accepted
SFP2		0.882	Accepted
SFP3		0.717	Accepted

Source: *SmartPLS Output Results 4.1.1.8 (2026)*

There are differences in the factor loadings between the first and final stages; in the first table, the factor loadings for some items were below 0.70, rendering them invalid. Therefore, an evaluation is needed to remove the invalid items, followed by retesting until all items are deemed valid with loadings above 0.70 as shown in the final table of the outer loading test above. In the AVE testing stage, the test criteria are considered met if the value is <0.50, indicating that the variable is capable of explaining at least 50% of the variance of the instrument used to measure it (Hair et.al., 2022).

Table 3. Validity Testing Based on Average Variance Extracted

Variable	AVE	Notes
Competitive Advantage (Z)	0.703	Accepted
Entrepreneurial Marketing (X)	0.663	Accepted
Sustainable Business Performance (Y)	0.650	Accepted

Source: *SmartPLS Output Results 4.1.1.8 (2026)*

Based on the table, values above 0.50 were obtained for each variable; therefore, this indicates that all latent variables meet the criteria for convergent validity.

To ensure that the constructs do not overlap in measuring the same phenomenon, a discriminant validity test was conducted by calculating the HTMT value. Since the HTMT value is <0.90, which meets the threshold requirement, the model is considered to satisfy the criteria for good discriminant validity.

Table 4. Validity Test Based on HTMT

	Competitive Advantage (Z)	Entrepreneurial Marketing (X)	Sustainable Business Performance (Y)	Information
Competitive Advantage(Z)				
Pemasaran Kewirausahan (X)	0.601			Valid
Sustainable Business Performance (Y)	0.839	0.787		Valid

Source: *SmartPLS Output Results 4.1.1.8 (2026)*

3.1.2 Realibility Test

Reliability testing was conducted using two main parameters, Cronbach's alpha and composite alpha to assess the instrument's consistency and stability in measuring the concept. The instrument is considered reliable if the test value is greater than 0.70. The following table shows the reliability test results.

Table 5. Construct Reliability and Validity Values

	Cronbach's alpha	Composite realibility (rho_c)	Information
Competitive Advantage(Z)	0.873	0.908	Reliabel
Pemasaran Kewirausahan (X)	0.787	0.876	Reliabel
Sustainable Business Performance (Y)	0.727	0.847	Reliabel

Source: *SmartPLS Output Results 4.1.1.8 (2026)*

The values above indicate that Cronbach's alpha and composite reliability for all variables exceed 0.70. Thus, these constructs meet the reliability requirements, and further testing can be conducted.

3.1.3 Inner Model

The structural model (inner model) was evaluated to determine the ability of exogenous constructs to explain the variance in the endogenous variables in accordance with the specifications of the structural relationship. The structural model was evaluated using two main criteria: the coefficient of determination (R^2) and the effect size (f^2).

R^2 values of 0.75 (strong), 0.50 (moderate), and 0.25 (weak) indicate the extent to which the variance in the endogenous variables is explained by the exogenous variables. The R^2 results are presented below.

Table 6. R-Square and Adjusted R-Square Values

	R-square	R-square Adjusted	Notes
Competitive Advantage(Z)	0.255	0.248	Weak
Sustainable Business Performance (Y)	0.533	0.523	Moderate

Source: *SmartPLS Output Results 4.1.1.8 (2026)*

The R-Square (R^2) values in the table above show that the R^2 value for Competitive Advantage is 0.255, meaning that the model explains 25.5% of the variation in Competitive Advantage, while 74.5% is explained by factors outside the model, whereas the R^2 value for "Sustainable Business Performance" is 0.553, meaning that 55.3% of the variation in "Sustainable Business Performance" is explained by the model, and the remaining 44.7% is explained by factors outside the model.

The values 0.02, 0.15, and 0.35 fall within the three thresholds used to evaluate exogenous versus endogenous variables.

Tabel 7. Effect Size (f^2) Value

	Competitive Advantage (Z)	Entrepreneurial Marketing (X)	Sustainable Business Performance (Y)
Competitive Advantage(Z)			0.303
Entrepreneurial Marketing (X)	0.343		0.261
Sustainable Business Performance (Y)			

Source: *SmartPLS Output Results 4.1.1.8 (2026)*

Table 7 indicates that the relationships among the variables in the research model show a moderate effect size. This interpretation is based on the f^2 value, which ranges from 0.15 to just under 0.35, indicating a moderate level of influence.

3.1.4 Hypothesis Test

The hypotheses were tested and analyzed to examine the relationships among the research constructs in the model. Decisions regarding the hypotheses were made based on the t-statistic and p-value. A test was considered significant if the t-statistic exceeded 1.96 and the p-value was less than 0.05, with a 5% significance level.

Table 8. Results of the Hypothesis Test on Direct Effects

Path Coefficient	Original Sample (O)	Sample Mean (M)	Standart Deviation (STDEV)	T Statistic	P Value
Z– Y	0.436	0.451	0.093	4.712	0.000
X- Z	0.505	0.519	0.103	4.889	0.000
X - Y	0.405	0.396	0.118	3.433	0.000

Source: *SmartPLS Output Results 4.1.1.8 (2026)*

The table illustrates the direct effect hypothesis that:

The Effect of Competitive Advantage on Sustainable Business Performance

The results of the hypothesis testing indicate that the effect of Entrepreneurial Marketing on Sustainable Business Performance is positive and significant. This provides evidence that the relationship between these two variables has been empirically proven, leading to the acceptance of this hypothesis.

The Effect of Entrepreneurial Marketing on Competitive Advantage

The results of this hypothesis in Table 8 provide evidence of a positive and significant effect of Entrepreneurial Marketing on Competitive Advantage, and the hypothesis is accepted because the relationship between the two variables is consistent with the initial assumption.

The Effect of Entrepreneurial Marketing on Sustainable Business Performance

Based on the hypothesis of a direct effect between Entrepreneurial Marketing and Sustainable Business Performance, the hypothesis is accepted with a positive and significant effect.

Table 9. Results of the Hypothesis Test for Indirect Effects

Path Coefficient	Original Sample (O)	Sample Mean (M)	Standart Deviation (STDEV)	T Statistic	P Value
X– Z– Y	0.220	0.239	0.083	2.646	0.004

Source: *SmartPLS Output Results 4.1.1.8 (2026)*

The Role of Competitive Advantage in Mediating the Effect of Entrepreneurial Marketing on Sustainable Business Performance

Indirect hypothesis testing using bootstrapping analysis in the smartPLS 4 application revealed a positive and significant mediating effect of Competitive Advantages as a mediator between Entrepreneurial Marketing and Sustainable Business Performance. Based on these results, it is concluded that the hypothesis is proven and accepted. Therefore, improving Sustainable Business Performance should not only focus on Entrepreneurial Marketing but also be accompanied by strengthening the development of Competitive Advantages as the mediating pathway.

3.2 Discussion

Entrepreneurial Marketing has a positive and significant effect on sustainable business performance

Entrepreneurial Marketing has been shown to have a positive and significant impact on Sustainable Business Performance ($t = 4.433$; $p < 0.05$), indicating that its implementation can enhance business sustainability. For Madura batik MSMEs, this can be achieved through the ability to identify market opportunities, adapt to changing customer needs, create product variations, leverage digital media, expand marketing networks, and maintain relationships with consumers. These efforts can help business owners increase sales, retain customers, and support the sustainability of their businesses into the future.

These results align with previous studies by Alqahtani et al., (2025); Sari et al., (2023), which highlight the positive contribution of entrepreneurship to sustainable business performance. Furthermore, a study by Jannah & Pranjoto, (2025) which examined the dimensions of Entrepreneurial Marketing in MSMEs, revealed varied relationships: in the proactive dimension, the relationship was positive and significant; conversely, the innovative dimension showed a significant negative correlation; while the dimensions of opportunity and resource utilization, as well as risk-taking, were present but did not show significant correlations. For Madura batik MSMEs, innovation, market

understanding, and marketing strategies aligned with the characteristics of local products can enhance business performance and sustainability.

Entrepreneurial Marketing has a positive and significant effect on Competitive Advantage

Entrepreneurial Marketing was found to have a positive and significant effect on Competitive Advantage ($t = 4.889$; $p < 0.05$). This indicates that identifying market opportunities and effectively utilizing available resources enable MSMEs to create greater value for customers. These findings are consistent with the research by Suandi & Yulihasri (2022); Mandasari et al. (2023), which highlight the role of innovative marketing strategies in strengthening the competitiveness of MSMEs. Meanwhile, the study by Hasanah & Jannah (2024), which examined the relationship between Entrepreneurial Marketing and Competitive Advantage, found that while the relationship was significant when analyzed simultaneously, only a few dimensions showed significant correlations when analyzed partially, including resource utilization, value creation, customer intensity, and innovation. For Madura batik MSMEs, understanding consumer preferences, developing innovative products, and integrating local cultural identity can differentiate their products from competitors. Therefore, identifying opportunities and effectively managing resources are crucial for building a competitive advantage.

Competitive advantage has a positive and significant effect on sustainable business performance

Competitive advantage has a positive and significant impact on sustainable business performance ($t = 4.712$; $p = 0.000$). These results indicate that a stronger competitive position can enhance business sustainability, consistent with Setyaningrum et al., (2023); Seow et al., (2025), who highlight the importance of value creation and market position in improving business performance. Furthermore, there is a correlation between a business's ability to overcome challenges and the achievement of long-term business goals, as demonstrated by Tufan & Mert (2023), Madura batik MSMEs can gain a competitive advantage by maintaining fabric quality and pattern consistency, as well as leveraging local cultural values to create unique products, thereby helping to sustain competitiveness and support business sustainability.

The Role of Competitive Advantage in Mediating the Effect of Entrepreneurial Marketing on Sustainable Business Performance

Competitive Advantage significantly mediates the relationship between Entrepreneurial Marketing and Sustainable Business Performance ($t = 2.646$; $p = 0.004$). These results are consistent with the findings of Suandi & Yulihasri, (2022); Tolossa et al., (2024), which highlight the mediating role of competitive advantage in linking

entrepreneurial marketing to business performance. For Madura batik MSMEs, identifying market opportunities, developing new patterns, and proactively responding to customer needs can strengthen competitive advantages and support business sustainability. These efforts aim to create a distinctive batik identity that sets it apart from competitors' products, particularly through local cultural values, product quality, and unique motifs. These advantages can make products more appealing, increase customer loyalty, and expand sales opportunities. Therefore, Entrepreneurial Marketing not only helps attract consumers but also builds a competitive advantage. This approach helps Madura batik MSMEs thrive by improving economic performance and fostering social relationships with customers and the business community.

4. CONCLUSION

This research model demonstrates that Entrepreneurial Marketing has a significant impact on improving Sustainable Business Performance. Effective Entrepreneurial Marketing can enhance business efficiency and strengthen Competitive Advantage through customer-oriented strategies, stakeholder engagement, and innovation. Furthermore, Competitive Advantage contributes to improved business performance by enabling MSMEs to differentiate their products and strengthen their market position.

Thus, Entrepreneurial Marketing supports Sustainable Business Performance both directly and through the utilization of competitive advantage. This indicates that Madura batik MSMEs need to prioritize the development of Entrepreneurial Marketing related to strengthening their competitive advantage. However, the results of this study must be understood within the context of the study's subjects and the characteristics of the respondents; therefore, any generalizations regarding MSMEs outside this context should be made with caution.

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