

The Effect of Entrepreneurial Marketing on Firm Performance: The Moderating Role of Entrepreneurial Alertness

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Abstract.

The issue of marketing for small firms has been the issue of interest for scholars and practitioners alike. Given the challenge small firm would face to apply the mainstream marketing, literature suggest alternative marketing practices for SMEs. In light of this, scholars developed the concept of entrepreneurial marketing and the purpose of this research was to test the effect of entrepreneurial marketing on the sales and profitability of Small and Micro enterprises (SMEs), short-term and a genuine objective of small enterprises (SME) in Ethiopia. Prior research emphasized mainly on perceptual and long-term performance as a result of EM. To achieve this objective, we conducted empirical research based on data collected data from 160 SME owners from two cities found in the Somali Region of Ethiopia. The result shows, proactive development and marketing of new offering and creative use of resources enhances SMEs short-term goal success. Practical recommendation is provided and conclusion on the field is made based on the empirical evidences.

Keywords: Entrepreneurial marketing, short-term success, financial performance, SMEs

1. INTRODUCTION

Today's business is characterized by stiff competition for customers and resources, as such firms should develop innovative strategies to overcome these challenges and attain competitiveness (Ferreira & Robertson, 2020; Alqahtani & Uslay, 2020; Soares & Perin, 2020). In this light, successful firms design their marketing strategy that takes into account market needs, customer value, competition, resources and marketing capabilities (Ishaq & Hussein, 2016). Because marketing links firms with their customers, firm's decision on product, sales outlets; promotional choice, and pricing is carefully selected based on information obtained from market research and trend analysis (Kotler, 2011). However, small firms due to their small size, limited resources and lack of experience demands an alternative marketing practices (Gilmore, Carson, O'Donnel, & Cummins, 1999). Entrepreneurs mainly depend on their imagination to identify potential market needs; proactively develop and market new products; build networks with critical stakeholders to acquire resources; use their social ties to promote their product and adopt conservative resource utilization instead of the conventional marketing which requires substantial resources and established marketing capabilities (Sole; 2013; Stokes, 2000). Prior research has shown the importance of marketing to the competitive advantage of organizations irrespective of their size and the alternative marketing approaches used by different types firms depending on the environmental uncertainty and resources required to undertake them (Kielenthong, Hills, & Hultman, 2015). This research intends to extend the empirical evidence regarding entrepreneurial marketing practice and its performance implication to the small and micro enterprises in the Ethiopian context.

The empirical research illuminates entrepreneurial marketing enhances innovative performance such as new product development and process improvement Hacıoglu et al., (2012), enhances SMEs financial gain and owners personal satisfaction Sadiku-Doshi et al., (2019) profitability Eggers et al., (2020) and sales growth and financial return Becherer et al.(2012) using limited resources at hand and unhindered by the uncertain environment. The result shows entrepreneurial marketing help firms to engage in introduction of new product, new market in other geographical areas, customer value and closer interaction with customers on a regular basis particularly employing "use more for the same" resources strategy (Michaelis et al., 2020; Alqahtani & Uslay., 2020). Added together, prior studies enhanced our understanding regarding the effect of developing innovative marketing on the various aspects of firm performance. However, prior empirical studies employed perceptual variables to measure firm performance and long-term performance measures. Given the primary goal of small businesses for survival, short-term performance measures such as annual profit and sales (objective financial data) is not considered in the burgeoning empirical studies. Therefore, this study intends to contribute on this growing research field by examining the effect of EM on financial performance of SMEs in Ethiopia.

Second, the empirical evidences particularly from the developing country perspective are scarce (Eggers et al. 2020; Sadiku-Doshi et al. 2019). Basically, entrepreneurial marketing was first proposed to enclave marketing practice in small and new ventures given the internal and external challenges curbing the application of the traditional marketing in these firms (Hills, 2000; Ionita, 2013). In this regard similar question can be asked whether entrepreneurial marketing suits small business in Ethiopia where prior research in this context reveals marketing problem hampering firm growth in substantial way particularly due to lack of owners awareness about the traditional marketing practices and limited resources to perform their marketing activities . Therefore, this research will enhance our understanding of SMEs marketing practices and its effect on the financial performance of SMEs in resources scarce but relatively stable business environment context.

1.1 Statement of the problem

Since 1997 SME sector generated more than three million jobs MOHD (2016) and 1,569,163 during 2019/20 NBE (2020) new jobs were added. On average, 100,000 new firms are established each year (NBE, 2020) where most owners are women particularly in the micro enterprises show the contribution of SMEs for socio-economic development (Bariso, 2021). SME firms are relatively innovative firms regarding new product development, process improvement, and competitiveness that benefits customers (MOHD, 2016; GEDI, 2018). However, empirical research indicates lack of sufficient demand for SMEs product is challenging SMEs growth and better performance which hinders the potential of SMEs for job creation and economic transformation.

Recent survey conducted on 8147 SMEs firm shows that marketing problem is the top priority that SMEs should emphasize on to enhance their tenure in the business and transformation. Specifically, above 95% of SMEs have a maximum of one or no sales outlets; 90% lack brands and 89% use their personal network to promote product (Gebreyesus, et al., 2018). The result implies important marketing activities mentioned in the mainstream marketing such as place (distribution strategy), brand development, and advertising are missing where entrepreneurs use their networks instead.

A limited number of empirical researches also examined the effect of marketing (4Ps) on firm performance Sriram & Mersha (2014) and the result suggests that lack of marketing skills is hindering firm growth. However, the previous research tried to tackle this problem using the traditional marketing approach which mainly performed by large organizations with substantial resources (Eggers et al., 2020; Hultman et al., 2008). Employing entrepreneurial marketing framework will help us to understand the realistic marketing practices used by SMEs which the concept considers both the customers and entrepreneurial creativity and imagination.

This study seeks to investigate the current practice of Entrepreneurial Marketing in the SMEs and its contribution for the financial performance of SMEs.

1.2 Objective of the study

The main objective of the study is to identify the current practice of entrepreneurial marketing and the effect it bears on the financial performance of small and micro enterprises in the research context.

2. LITERATURE REVIEW

Firms follow dynamic strategies when they are fresh to the environment and when constrained by limited resources to apply mechanical strategies (Soares & Perin, 2020). This is because, established strategies require qualified employees, established organizational structures with well-defined routines and capabilities, relatively stable environments, and substantial resources to achieve the company's objectives (Peteraf & Helfat, 2003; Arend, 2014). In light of this, Entrepreneurial marketing refers to the marketing strategy used in a resource-constrained and under uncertain environment more focusing on the entrepreneur's forward looking behavior in recognizing attractive opportunities and creating customer value through close interaction and networking capability with limited resources (Morris et al. 2002; Miles et al. 2015). Various definitions have been provided by scholars juxtaposing the entrepreneurial orientation (EO) and customer and/or market orientation (Rowley & Jones, 2011; Alqahtani & Uslay, 2020; Edgars et al. 2020). For Kielenthong et al (2015) entrepreneurial marketing is the interface between entrepreneurship and marketing that considers the innovative approach of the entrepreneurs and the focal customer to be served at the same time assumptions of risks and uncertainty. Through practicing entrepreneurial marketing entrepreneurs recognize of new market opportunities, detect changes in the market and developing of innovative skills that enhances the competitiveness of their businesses (Sole, 2013).

For this research purpose, we adopted the definition provided by Morris et al. (2002) that implies entrepreneurial marketing as the set of firms proactiveness, resource leveraging, value creation, opportunity focus, customer intensity, innovativeness, and calculated risk-taking (Morris et al. 2002; Becherer et al., 2012; Sadiku-Doshi et al., 2019). In earlier times, EM was conceived as the marketing activity of small organizations, later conceptualized as the marketing activity more likely followed by entrepreneurial minded owners and operators performed in large or small organizations alike (Hultman et al. 2008). Currently, the concept is conceived as the marketing practices mainly practiced during dynamic and highly uncertain environment both in business and non-business organizations Alqahtani & Uslay (2020) that mainly requires entrepreneur's creative thinking to address customer needs and the ability to bringing in fits between the firms resources with networking capability. Since this study context is SMEs, therefore, the framework

developed by (Morris et. al. 2002) which is also empirically examined by Sadiku-Doshi et al.. (2019) and Becherer et al (2012) in different contexts is found relevant.

2.1. EM dimensions and firm performance

Calculated risk-taking

Risk taking is associated with decision making in uncertain context knowing that there will be possibility of loss because of your decision. Entrepreneurs invest in and commit substantial resources in those ventures with a high probability of failure Eggers et al., (2020) because owners with risk taking propensity make decision that gives them a first-mover advantage (Kosa, Mohammad, & Ajibie, 2018). The temporary nature of attractive opportunities inspires those business minded owners who have tolerance for risk subsequently make profit out of their risky decisions. All entrepreneurial activities involve uncertainty; as such entrepreneurs take actions based on their judgment of the uncertainty associated with their decisions (McKelvie, Haynie, & Gustavsson, 2011). Since one cannot know before the outcome of the decision, entrepreneurs approach all the spotted market opportunity with risk reduction mechanisms. Some of these risk management technique include diversifying product Gilmore et al., (1999) involve customer in value creation process Sarasvath (2001) and build network with important stakeholders such as bankers, suppliers, and competitors (Stokes, 2000). These critical actions reduce the magnitude of loss if occurred and increase the gain obtained from the actions for the firm. In general, firms with a moderate level of risk-taking tendency will achieve better performance than either high or low level of risky decisions (Kreiser & Davis, 2010).

H1: Calculated risk-taking has a positive and significant effect on financial performance

Proactivity

In the face of a changing world, entrepreneurs should anticipate and act before the environmental change affects the way they do business to remain relevant. Proactive firms influence their environment, take actions before competitors do and avoid threats from happening to their firms (Morris et al. 2002; Eggers et al. 2020). It describes the entrepreneur with proactivity tendency search for new means to serve their customers through introducing new product, new distribution system, and find new markets in other geographical areas before their competitors (Wiklund & Dahlqvist, 2011). Research has reported that proactivity improves firms' innovation performance Hassim et al., (2011) sales and profitability, and nonfinancial performance. Becherer et al., (2012) indicated that firms introduce a new product to the market before competitors that give them a first-mover advantage. In order to facilitate their proactive behavior unlike managers who use planned marketing, entrepreneurs search available market opportunities by scanning and

collect information from all sources such as informal discussion with their customers, internet and social medias, reading magazines and newspapers, participation in bazaars and expos and turn them into relevant business ideas (Stokes, 2000). Thus,

H2: Proactiveness has a positive and significant effect on firm financial performance

Opportunity Focus

Opportunity is the pillar of entrepreneurial activity in the modern market economy (Shane & Venkataraman, 2000), and entrepreneurs distinguished from others by their abilities to discover new opportunities. The basic assumption of opportunity recognition is that opportunities always present in the market due to miscalculation or mistakes made by prior entrepreneurs in their earlier opportunities exploitation (Kirzner, 1997). Opportunity focus in this sense is used to describe entrepreneurs' ability to turn their attention towards exploiting opportunities available in unused resources, untapped markets demands and redeploying existing means to shape their environment (Kielenthong, Hills, & Hultman, 2015). Similarly,

H3: Opportunity focus has a positive and significant effect on financial performance

Customer intensity

Customer intensity (Orientation) refers to identifying new sources of customers and using existing networks to identify new markets (Morris et al. 2002). Entrepreneurs are more engaged with their customers by providing efficient customer services and forming closer ties with them through active interaction and hence it is suggested that is way of building firm's reputation (Gilmore et al., 1999). Close interaction with customers will increase the firms sales, is used as indirect promotion that satisfied customers proliferate the company's image through word-of-mouth and a means of tracking competitors price. As such, entrepreneurial firms continuously look for acquisitions and retention of new customers by providing innovative products and enhanced customer value (Morrish, 2011). Customer intensity involves finding new ways to acquire and retain customers through opportunity co-creation (Alqahtani & Uslay, 2020). It also involves creating emotional bondage with customers by offering unique products and intimate relationships which is seen as beyond simple customer relationship management (Morris et al. 2002). In general, research has reported that customer intensity is one of the characteristics of successful firms, particularly SMEs under resource scarcity Becherer et al., (2012) because they use customer's feedback as means of new product development and improving the current one. The more entrepreneurs are attentive to their customers' needs and the intimate their emotional bondage, the more profitable the firm will be, Morrish (2011), as it will be easy for the firm to sense what customers require (Whelan et al., 2016).

H4: Customer intensity has a positive and significant effect on financial performance

Innovativeness

Innovation is the center of attention in entrepreneurship study. Innovation occurs when a new product or method of serving the market is introduced (Wiklund & Dahlqvist, 2011). Moreover, innovation also involves incremental change such as using word-of-mouth to promote ones products (Stokes, 2000). Similarly, using different promotion tools such as buzz marketing is considered as incremental innovation because it is more efficient than using the traditional advertising (Kraus et al., 2010). Therefore, innovativeness refers to a firm's willingness to engage in creativity, new insights, and experimentation to create value for customers (Eggers et al., 2020). Entrepreneurs look for the various creative ways that differentiate their products from competitors; engage in identifying new markets in existing and new segments, and use new methods of distribution and promotion to increase effectiveness of the firm (Morris et al. 2002). Research has reported innovativeness increases various dimensions of performance such as firm performance (Hacioglu et al., 2012; Eggers et al., 2020; Rauch et al., 2009).

H5: Innovativeness has a positive and significant effect on financial performance

Leveraging resources

Resource leveraging or extending the uses of resources for various marketing activities is the key to EM. Leveraging resources is sometimes become the entrepreneur's psychological attribute and tendencies to extend resource utilities to bypass current shortage facing their organization; or it is doing so is who the entrepreneurs are and sometimes it is a must to do to a firm to survive under conditions of stiff competition and also it what entrepreneurs when they intend to quit their operating their business (Michaelis et al., 2020). Resource leveraging also captures the actions of entrepreneurs mainly focused on conserving resources utilization in their operation and be critical to the cost of resource acquisition. Entrepreneurs leverage resources not only because current shortages constrain them; it also refers the natural behavior of entrepreneurs to conserve. Some examples of resource leveraging includes, promoting ones product besides publicly available popular billboards and public events Kraus et al., (2010), using multi-purpose products instead of single-purpose products Nason & Wiklund (2018) creatively combine resources that others see trash or combining resources actually made for some other purposes (Nelson & Baker, 2006; Davidsson et al. 2017). Leveraging resources positively related to firm performance because it creates firm efficiency (Eggers et al. 2020). Based on prior research, it is proposed that resource leveraging positively affects performance (Eggers et al. 2020; Becherer et al., 2012; Hacioglu et al., 2012; Michaelis et al., 2020).

H6: Resource leveraging has a positive and significant effect on financial performance

Value creation

Research has shown that value creation is an integral element and a robust predictor of various performances Becherer et al., (2012) and a measure of competitive advantage (Barney & Peteraf, 2003). Value creation refers to the difference between the cost customers pay and the benefit they get from a product, the greater the customer value generated from using a product than costs incurred to acquire them, customer satisfaction will be higher as such value creation significantly enhance firm performance(Becherer et al., 2012). The more weight the firm creates to its current and potential customers, the more likely it of being successful, as value is central to satisfaction (Barney & Peteraf, 2003). Based on the discussion above, the following hypothesis is developed;

H7: Value creation has a positive and significant effect on financial performance

Summary of empirical review

Research has reported a positive and significant relationship between EM and firm performance (Becherer et al. 2012; Sadiku-Doshi et al. 2019). For instance, Hacıoglu et al., (2012) reported EM positively influences SME's innovative performance in the Turkish Context which suggests SMEs engaged in entrepreneurial marketing; introduce new product and new process innovation more regularly than SMEs who are not. Sadiku-Doshi et al. (2019) conducted empirical research in Kosovo SMEs and reported a positive impact of EM on SMEs' overall performance including financial gain, non-financial performance such as owners' personal satisfaction. More recently, Amjad, Rani, & Sa'atar (2020) conducted qualitative research in the Pakistan boutique businesses and reported entrepreneurs perform the seven dimensions mentioned above and add legitimacy as eight which reveals, entrepreneurs besides being creative and resource conscious legitimize their activity by closely working with important stakeholders. The overall implication is entrepreneurship and marketing alone may not generate a competitive advantage, successful firms involves both entrepreneurial behavior and focus on customers through interaction on daily basis and provide new offerings using minimal resources (Kielenthong, Hills, & Hultman, 2015). Moreover, leveraging resources and recognize opportunities at the same time take risks in their pursuit of innovations (Polas & Raju, 2021).

Based on review of the scarce empirical studies and the following two main gaps are appear relevant. First, the evidences are inconclusive where the dimensions that encompass the concept of Entrepreneurial marketing not results similar outcome on various aspects of performance; (e.g. Sadiku-Doshi, 2019; Hacıoglu et al. 2012; Becherer et al. 2012; Eggers et al. 2020). Second, prior research has it focus on firm performance measured by using perceptual variables; our understanding could be incomplete unless we add objective measures of success such as annual profit and sales. Therefore, in this research this evidence is presented.

3. METHODS AND MATERIALS

The study employed quantitative research approach. Descriptive and inferential data analysis techniques used to answer the research questions and achieve the research objectives. The data were collected from small and medium scale enterprises operating in Jigjiga and Gode cities of Somali region of Ethiopia. The study samples collected from Somali region urban and enterprise development bureau. 325 sample firms determined from the total population of 1800 in the two cities. Using standardized Questionnaire response from 200 SME owners was collected by the two researchers which accounts for the response rate of (62%). Because of the objective of the research to investigate the influence of EM on financial, 160 (49%) respondents were willing to provide the financial information (annual sales and profit) therefore our final samples include 160. Table 1 presents the descriptive statistics of our respondents.

From 160 respondents, 20% (32) were Female and 80% (128) were male respondents. Most of our respondents were engaged in service sector (retailing, hotel and restaurant) businesses and about 10 businesses engaged in furniture (industry) work. Regarding the education level, 32% (51) attend primary and less level of education, high school 13% (21), 19% certificate (31), 28% (45) college complete, and 8% (12) degree and above level of educations. From the result, most entrepreneurs attend some level of education. Regarding their areas of business, 75% of respondents were selected from Jigjiga city.

Measures of independent variable

We employed standard EM scales from extant empirical literature. Six items from Becherer et al. (2012) and the Cronbach alpha value ($Alpha = 0.82$) to measure proactiveness. Some of the sample items read “I am constantly on the lookout for new ways to improve my business”. We used six items from Eggers et al. (2020) with a coefficient ($Alpha = 0.86$) for the resource leveraging dimension. For opportunity focus, we adopted five items from Sadiku-Doshi et al. (2019) and the alpha value is ($Alpha = 0.79$). We adopted three items to measure calculated risk-taking from Eggers et al. (2020), and the alpha value is ($Alpha = 0.72$). We adopted seven scales from Sadiku-Doshi et al. (2019) for customer intensity, and the coefficient is ($Alpha = 0.79$). We adopted four items from Becherer et al. 2012, and the alpha value is ($Alpha = 0.84$) for innovativeness. We used four items from Becherer et al. (2012) for value creation and the alpha value ($Alpha = 0.7$). All items were represented by statements measured in a five-point Likert scale where (1= strongly disagree to 5=strongly agree) and all the scales were reliable and greater than the minimum requirement 0.7 (Tang et al. 2012).

Financial performance

Financial performance such as sales and profitability are commonly used performance measures (Delmar et al., 2003; Venkatraman & Ramanujam, 1986) we used annual average sales and profitability as dependent variables. Objective financial performance measures such as annual sales and profitability are relatively stable measures and tap help researchers to determine the short term effect of different firm's strategies on the firm's performance. As, the primary objectives of SMEs is to realize survival and profitability, which both measures short-term goal, therefore, using annual sales and profitability are imperative measures for this purpose.

4. RESULT AND DISCUSSION

Table1: Descriptive statistics

stats	age	startu~r	employel	employe2	sales	profit
min	19.00	1.00	1.00	1.00	15000.00	1000.00
mean	36.44	6.54	5.21	16.25	1479915.64	238828.76
max	70.00	34.00	100.00	600.00	23000000.00	8000000.00

As per table1, our respondents' average age is 36, and that range from 19 to 70 years of age. The average firm age in our sample was 6.54 years, and this shows that the firms in our dataset are young, and the minimum number of years is one, and the maximum age is 34. At the start, firms will have five, and on average, after six years of their operation, they will add 11 more employment. The result shows that small and young firms are significant contributors to jobs in the economy. The mean sales and profitability are (1,479,915.64 and 238,828.76 birr), respectively. When we converted the numbers to their dollar equivalent, the average annual sales of the firms in our dataset is about \$41,109 and \$6,634 in profitability (Based on \$1= 36ETB) at the time of data analysis.

Reliability and Validity

Before computing the factor score, we conducted a principal component analysis of the seven dimensions together. We calculated PCA based on all items for EM dimensions, and eight factors were extracted (Eigenvalue=, >1). Then, we computed KMO (Keiser-Meyer Ohlin) to measurement sampling adequacy. A value greater than 0.7 is considered acceptable and a value greater than 0.9 shows the higher validity of the measurement used (Tang et al., 2012). Based on this criterion, we removed items with KMO less than (0.7). The total number of factors extracted after removing items with minimum value indicated above described in table2. The result shows that the seven dimensions of EM proposed by Morris et al. (2000) are consistent with the result.

Table2: rotated factor loading (PCA)

Variable	Comp1	Comp2	Comp3	Comp4	Comp5	Comp6	Comp7	Unexplained
Resourlev1	0.3157							.4718
Resourlev2	0.3965							.4056
Resourlev3	0.4313							.3289
Resourlev5	0.4050							.3646
Resourlev4	0.4143							.3585
Resourlev6	0.4440							.3271
cusinten1								.5391
cusinten2		0.4255						.3282
cusinten3		0.4567						.36
cusinten4		0.3780						.4166
cusinten5		0.4677						.3702
cusinten7		0.3844						.4793
valuecre2				0.5666				.3033
valuecre3				0.5569				.2747
valuecre4				0.3005				.5049
valuecre5				0.3395				.6121
proa1			0.4779					.3207
proa2			0.5086					.2936
proa3			0.4312					.3511
proa4			0.5049					.3608
OpFoc2					0.5177			.348
OpFoc3					0.4938			.3523
OpFoc4					0.4995			.3736
risk1						0.3550		.4357
risk2						0.4723		.3381
risk3						0.6382		.2709
Innova1							0.6418	.2487
Innova2							0.6895	.1883

The result shows that the seven dimensions capture the underlying concept of EM and the total variance explained by the seven dimensions is accounted for 62%. We attempted to control the problem by randomizing items in the questionnaire to avoid random responses regarding common method bias. Moreover, the total variance explained by the seven dimensions is 62%, and the first dimension explained 20% of the total variance which indicates the problem of common method bias is not a significant problem in the dataset.

Correlation analysis

	lsales	lprofit	RESLE	cusin	practi~y	Ofocus	Vcreat~n	Innov	risky
lsales	1.0000								
lprofit	0.8467*	1.0000							
RESLE	0.5075*	0.4712*	1.0000						
cusin	0.1788*	0.1238	0.2193*	1.0000					
practivity	0.4689*	0.4263*	0.2549*	0.1523	1.0000				
Ofocus	0.2639*	0.2268*	0.2707*	0.3153*	0.4423*	1.0000			
Vcreation	0.2313*	0.1848*	0.1856*	0.2265*	0.2918*	0.3049*	1.0000		
Innov	0.0298	0.0363	0.1137	0.1453	0.1480	0.0787	0.0908	1.0000	
risky	0.2371*	0.1842*	0.2013*	0.2233*	0.3178*	0.2877*	0.2429*	0.0875	1.0000

Table5 the correlation matrix; correlation with * indicates significance at p-value (<0.05)

As the correlation matrix shows, most of the independent variables' variables are significantly related to the dependent variable (the natural logarithm of profit, we transformed profit because the absolute figure is not normally distributed). The result shows resource leveraging positively related to firm profit ($r=0.5075$, $p<0.05$). The second highest correlation is between proactivity and profitability ($r=0.4689\%$, $p<0.05$). Respectively, opportunity focus, value creation, and calculated risk-taking correlated with firm performance ($r=0.2371$, $.1848$, and $.1842$) where all are statistically significant at p-value less than (0.05) except with innovativeness, the remaining six dimensions positively and significantly related with sales and profitability of the firm. The result shows, in nutshell, firms innovative marketing positively and significantly related with firm short-term financial performance as such SME owners marketing behavior jointly combined with their innovative thinking will induce better performance to their organization.

Hypothesis testing

We used multivariate regression analysis to test our hypotheses. We used multivariate regression because we intend to test whether entrepreneurial marketing is better to influence firm's revenue based performance (Sales) or cost based performance measure (Profit) as the former measure of performance considered by scholars less susceptible to appropriation and the latter is vulnerable for appropriation which undermines the effect size (Soares & Perin, 2020). The regression model is depicted by the following equation;

$$Y(s, p) = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \varepsilon$$

Where ε indicates the error term not specified in the model that results in residual in the regression analysis. Multivariate regression is used when the research intended to compare the effect of x independent variables on the different aspect of the dependent variables that help to shows the difference based on the same pool of independent variables.

According to the regression analysis (see table6), the model explains 39% and 32% of the total variance of sales and profitability of SMEs is explained by entrepreneurial marketing practice. The overall model fitness statistics shows ($F= 14$ and 10 respectively at $p\text{-value} = 0.000$) the result implies that the effect of independent variable (EM) on the dependent variable (Sales & Profit) is non-trivial and statistically significant. The result suggests we should reject the null hypothesis and accept the alternative hypothesis where the variance explained by independent variables about the dependent variables (sales and profit) is statistically significant and different from zero. Thus, practicing entrepreneurial marketing explains SMEs sales and profit by 39% and 32% respectively which implies SMEs when able to introduce new product before their competitors and creatively combine existing resources, increase the sales and profit of their firms by more than 30%.

With this, the next table shows the regression analysis

Equation	Obs	Parms	RMSE	"R-sq"	F	P
lsales	160	8	1.238217	0.3921	14.00724	0.0000
lprofit	160	8	1.230507	0.3289	10.64184	0.0000

	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
lsales						
RESLE	.670491	.1056399	6.35	0.000	.461779 .8792031	
cusin	.0316535	.1110477	0.29	0.776	-.1877428 .2510497	
practivity	.5617236	.1255028	4.48	0.000	.3137685 .8096788	
Ofocus	-.0251912	.1184368	-0.21	0.832	-.2591861 .2088037	
Vcreation	.0927628	.1295956	0.72	0.475	-.1632784 .3488041	
Innov	-.0810606	.0952342	-0.85	0.396	-.2692142 .107093	
risky	.0710515	.0914133	0.78	0.438	-.1095532 .2516563	
_cons	8.398894	.6843118	12.27	0.000	7.046903 9.750885	
lprofit						
RESLE	.5855507	.104982	5.58	0.000	.3781383 .7929631	
cusin	.0489875	.1103562	0.44	0.658	-.1690426 .2670175	
practivity	.5042329	.1247213	4.04	0.000	.2578219 .750644	
Ofocus	-.0188388	.1176993	-0.16	0.873	-.2513766 .2136989	
Vcreation	.0652184	.1287886	0.51	0.613	-.1892284 .3196652	
Innov	-.0867183	.0946411	-0.92	0.361	-.2737002 .1002637	
risky	.0224043	.0908441	0.25	0.806	-.1570758 .2018844	
_cons	7.29236	.6800505	10.72	0.000	5.948789 8.635932	

Table6 MVR regression table (source questionnaire, 2020).

The first hypothesis (H1a) predicted that there is significant and positive relationship between calculated risk-taking and firm financial performance (sales and profitability). The multivariate regression analysis shows, calculated risk taking is statistically insignificant relationship with both financial performance of SMEs, i.e. sales and profit ($\beta=0.07$ at p -value= 0.438, and $\beta=0.022$ & at p -value = 0.806) respectively. The result shows that entrepreneurs in our data set are not calculated risk-takes and are poor in their risk-taking tendency. Based on the result, hypothesis (H1) is not supported. According to the hypothesized relationship, entrepreneurs consider the existence of risks and minimize chance of loss by diversifying their product offering and involve customers in their decision to exploit market opportunities (Gilmore, et al., 1999). However, contrary to our prediction, entrepreneurs in the research context are poor at calculated risk-taking has not significant relationship with firm sales and profitability. The result could be consistent with prior research (GEDI, 2018). According to Global entrepreneurship Index report (2018) total entrepreneurial activity, entrepreneur’s in Ethiopia characterized by poor in risk-taking and

the total score of 0.090 out of 100, which indicate below the average sub-Saharan Africa score. In contrast, the result contradicts the finding by (Kosa et al., 2018) wherein calculated risk-taking has positive and significant effect on SMEs performance. This might be due to the difference in the sample firms where successfully grown SMEs engaged in the manufacturing were selected by (Kosa et. al. 2018) and most enterprises in our sample were micro enterprises engaged in all business sectors.

Similarly, hypotheses H3, H4 and H5 are all rejected. The five dimensions EM are not statistically significant predictors of firm sales and profitability which leads us to reject the hypotheses. Combining the result; innovativeness, value creation, opportunity focus, calculated risk-taking, and customer intensity are not statistically significant predictors of sales and profitability.

The result shows that we should reject the null-hypothesis H2 and H6, because the result of the regression coefficients are different from zero and are statistically significant that compel us to accept the alternative hypothesis that proactiveness and resource leveraging are statistically significant predictors of sales performance. The two factors respectively increases sales by ($\beta=36$ and $\beta=47$, $p<0.01$).

The regression analysis suggested that resource leveraging and proactiveness have a positive and significant effect on profit and sales of the firm ($\beta=35$, $p<0.05$) and ($\beta=43$, $p <0.05$) respectively. Similarly, however, resource leveraging and proactiveness are statistically significant predictors of the firm's sales and profit; that indicates H2 & H6 are supported. Based on the result, entrepreneurs in our dataset are not fully benefited from the entrepreneurial marketing activities.

Post-regression analysis

Discussion

The main aim of the research was to examine the effect of entrepreneurial marketing on firm performance of SMEs in the emerging region of Ethiopia. The descriptive statistics shows that on average firms will have 5 employees and over six of their operation they will add 11 more employees to their firms. This shows each year SMEs creates two job opportunities to their firm. This shows the employment generation capability of SMEs in the region is substantial. Most SMEs owners are male and only 28% of these SMEs owners are female. Moreover, the average sales of these firm are \$41,109 and the average profit of the firm is \$6,634.

Entrepreneurial marketing practices of SMEs

In contrast to the result of the principal component analysis, prior research argued SMEs are poor in their marketing practice and lack of marketing skill is hindering these firms not to benefit from their marketing activities (EDRI, 20180). However, marketing assessment made based on the mainstream marketing which requires huge resources untenable for small businesses (Becherer et al. 2012) and expert marketers with established marketing capabilities. Alternatively, SMEs uses their proactive and innovative behavior serving their customers mainly through imagination of latent customer needs and leveraging their limited resources for marketing their offers. As such SME owners heavily depend on their proactivity, innovativeness, risk taking, opportunity focus, resource leveraging, customer intensity and value creation behaviors to develop competitiveness. Thus, small firms involve entrepreneurial behavior manifested by creative resources utilization and proactive innovation to address their customer requirements. The finding corroborates prior empirical finding (Sadiku-Doshi et al. 2019) that entrepreneurial marketing can be used by firms in the developing countries. The finding shows the practical relevance of EM to SMEs.

The correlation analysis shows that most of the dependent variables are significantly related with performance measures (profit and sales). The highest correlation is found between resources leveraging and firm performance (both sales and profit) and followed by proactiveness. Only two of the entrepreneurial marketing dimensions are not related with firm sales and performance. The result is consistent with prior studies.

The regression analysis shows, only two of the seven dimensions are significantly related with firm sales and profitability. Leveraging resources driven by individual's natural tendency to conserve or bypass current shortages facing entrepreneurs, increases firm sales and performance by significant amount. When we translated the percentage in to monetary values, a one standard deviation increase in resource leveraging behavior will result 43% increase in sales (or \$19,321) and profit by (or\$1,767). The result indicates learning resource leveraging behavior enhances the sales and profit of the firm where the two skills can be considered as the capabilities of small organization. This can be entrepreneurs engaged in cooperative actions such as sharing resources through self-help association (Eyana, Masurel, & Paas, 2020) and focus on efficient and effective utilization of resources to fit their marketing activities (Michealis et al., 2020). As a result, firms significantly materialize their short term goal such as sales and profitability that in turn facilitates long-term goal such as market share (Shepherd et al. 2021). Moreover, it can be explained that SME entrepreneurs focuses on versatile resources to their firm Nason & Wiklund (2018) which enhances the performance of small business. Adopting versatile resources or those resources that provide multiple activities boost firm growth.

Similarly, entrepreneurial proactiveness will increase the firm's sales and profit by (\$2,388 and \$2,322) respectively. The result is consistent with previous research Kosa et al., (2018) proactive behavior enable small ventures to introduce various techniques including introduce new product and process to shape the changing market environment than being only reactive the changes.

Moreover, the result confirms that the entrepreneurial marketing predict both the revenue-based and cost-based performance Soares & Perin, (2020) and the result presented here is consistent with the previous empirical findings (Becherer et al., 2012; Hacıoglu et al., 2012; Eggers et al., 2020; Sadiku-Doshi et al. 2019) which result suggests that the entrepreneurial outlook regarding resources, creativity, and resource including social media for marketing activity not the amount at hand that that is critical to performance (Nason & Wiklund, 2018).

5. CONCLUSION AND RECOMMENDATION

Marketing is the key to organizational success, and small firms such as SMEs could benefit from adopting entrepreneurial marketing. SMEs could enhances their firms' competitive advantage where scarcity of resources inhibits deploying traditional marketing such as marketing research and advertise through expensive media outlets, SMEs could boost their financial performance by more than 30% through resourceful behavior and creatively combine existing resources for their marketing activities. More importantly, identifying attractive market opportunity and providing new products to their customers before competitors could improve SMEs sales and profitability substantially. Therefore, entrepreneurs should track important information from all the available sources, including internet, trade publications and informal discussion with customers. However, our research could not enhance the prior studies of empirical evidences on the entrepreneurial marketing. This lack of conclusive evidences could be due to the disparate and sometime complementary literature the entrepreneurial marketing based itself. Therefore, future research should help us to refine the concept of EM.

Recommendations

- SMEs should focus on creatively utilize their existing resources and critically look the alternative uses of freely available means for their marketing activities. Besides, resource conservation is the main characteristics of successful firms in the research context.
- The empirical evidence presented in this study show, keep tracking market information by closely interacting with customers, uses of social media to solicit potential customers and collecting information from local newspapers and using publicly available resource for marketing practice could enhance SME profitability which facilitates acheiving long-term success.

- For researchers, refining the concept of entrepreneurial marketing is at stake. However, the marketing practice in small enterprises cannot be fully addressed by adopting one perspective. Therefore, future research could enhance our understanding of marketing practice of SMEs by through comparative analysis of the mainstream marketing and entrepreneurial marketing through large scale cross-sectional empirical research.

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