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Entrepreneurial Marketing and SME Performance: The Mediating Role of Process and Product Innovation in Bangladesh

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Abstract

SMEs in Bangladesh are facing limited access to finance and a lack of innovative, entrepreneurial, and marketing skills. They have underdeveloped marketing and sales channels due to financial constraints. Entrepreneurial Marketing (EM), positioned at the intersection of entrepreneurship and marketing, offers a promising solution to these resource-constrained SMEs. While successful EM practices have been documented primarily in developed country contexts, there remains a significant gap in understanding its impact on SMEs in emerging economies like Bangladesh. Furthermore, the role of multiple innovation capabilities in mediating EM's effects on SME performance has yet to be explored in this context. This research addresses these gaps by investigating the synergistic effects of EM's seven-dimensional framework on the performance of Bangladeshi SMEs, with process and product innovation serving as mediators. The conceptual framework of the study, supported by the Dynamic Capabilities Theory, was analysed using data collected from a quantitative survey of 355 SME owners or managers selected with the convenience sampling technique. PLS-SEM analysis reveal that EM positively influences process and product innovation. Consequently, process and product innovation significantly enhance SME performance. Additionally, the study highlights the critical mediating roles of these innovation categories in the relationship between EM and SME performance.

Keywords: Bangladesh, Entrepreneurial Marketing (EM), Process Innovation, Product Innovation, SME Performance.

Introduction

Small and medium-sized enterprises (SMEs) are the backbone of global economies as they hold the key to unlocking innovation, job creation, and poverty reduction—yet, they face significant barriers that hinder their potential. Similarly, the SME industry drives Bangladesh's economic growth by promoting innovation, creating jobs, increasing GDP, speeding industrialisation, reducing urban migration, and, most importantly, reducing poverty by maximising resource utilisation (Qamruzzaman & Jianguo, 2019). Despite contributing 25% to Bangladesh's GDP and employing 30% of the workforce (Hossain, 2022), SMEs face poor performance and lack effective strategic planning (Hoque et al., 2017). Challenges such as inadequate marketing planning, limited entrepreneurial skills, resource constraints, and innovation deficits are further worsened by the COVID-19 crisis (Islam, 2022; Al Koliby et al., 2024). To overcome these

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barriers, Hisrich and Ramadani (2018) suggest that SMEs must embrace entrepreneurial marketing (EM) to adapt, seize opportunities, and drive sustainable growth.

The concept of EM has gained prominence over traditional marketing in SME literature, focusing on innovation and cost-effective strategies. EM offers SMEs a way to secure competitive advantages (Morrish et al., 2020; Whalen et al., 2016) by guiding marketing processes to identify and capitalize on market opportunities (Miles et al., 2015). While studies on the seven key dimensions of EM (Morris et al., 2002) are abundant, results vary, indicating a need for further exploration and refinement across different SME contexts. Emerging markets are increasingly crucial to global economic growth, yet research on EM remains predominantly focused on developed economies (Kilenthong et al., 2016; Kim & Kim, 2018), leaving a significant gap in understanding its role in dynamic, resource-constrained environments like Bangladesh (Izvercian et al., 2016; Krisjanous & Carruthers, 2018). While prior studies have examined individual EM dimensions (Becherer et al., 2012; Sadiku-Dushi et al., 2019), the synergistic effects of EM as a higher-order construct on SME performance outcomes remain largely unexplored (Toghraee, 2017).

Additionally, despite ample research on innovativeness and innovation outcomes (Brettel et al., 2015; Covin et al., 2016; Gatautis et al., 2019), there is a dearth of literature on the connection between EM and innovation in SMEs. This study seeks to address these gaps by investigating how EM drives innovation and enhances SME performance in Bangladesh, offering valuable theoretical and practical insights. Innovativeness, driven by organizational philosophy and creativity (Kahn, 2018; Lumpkin & Dess, 1996), is a key dimension of EM that leads to innovative outcomes (Bachmann et al., 2021). While firms may be innovative, it doesn't always result in new products, processes, or strategies. Innovation is crucial for the survival, growth and performance of SMEs. Hence, the objective of this study is to examine the effects of product and process innovation, as outcomes of EM behaviours on the performance of SMEs in Bangladesh. Specifically, the study aims to assess how these innovations mediate the relationship between EM and SME performance, providing valuable insights into the role of innovation in enhancing the competitiveness and sustainability of SMEs in dynamic, resource-constrained environments.

Literature Review

SME performance is a concept that is defined in multiple ways in the academic literature. Scholars commonly define SME performance as the venture's notable achievements in terms of "sales growth, investment efficiency, customer acquisition, market share expansion, and returns." These metrics are observed as an intricate sequence of activities that combine organizational capabilities and information (Hoque, 2018). Becherer et al. (2012) defined SME performance as the level of profitability achieved by a firm and highlighted it as the organisation's ability to meet the expectations of its stakeholders. From a commercial and marketing perspective, firm performance is associated with market share, sales determinants, and revenue premium of products and services (Aksoy, 2017). It involves achieving "customer satisfaction more efficiently and effectively than competitors (Riswanto et al., 2019), fostering customer loyalty, attaining financial profit performance, and creating market value (Biégas, 2018)." The assessment of SMEs' performance is complex and typically classified as quantitative or qualitative, depending on the internal or external focus of the study. Sadiku-Dushi et al. (2019) assessed SME performance using indicators such as "efficiency, growth, profit, owners' personal objectives, and reputation," which have been adopted in this study. Given the complexity of

measuring SME performance construct, a multidimensional approach was employed, incorporating both financial and non-financial components.

Multiple scholars assert that incorporating entrepreneurial principles into marketing strategies can enhance SME performance, especially in situations where resources are sparse, the business environment is unstable, and competition is intense (Hisrich & Ramadani, 2018; Lehman et al., 2014). There is also a notable lack of attention to contextualizing these interactions within specific industries or operational environments, despite the fact that the effectiveness of EM and innovation is likely influenced by contextual factors such as market turbulence, resource availability, and competitive pressures. EM, an amalgamation of entrepreneurship and marketing, has become apparent widely in the Western countries' operational context as an innovative marketing framework that empowers trivial enterprises to thrive in complex circumstances (Hills et al., 2008). In their study, Morris et al. (2002) described EM as "a comprehensive framework for understanding marketing in a time of complexity, disorder, inconsistency, and diminishing resources." Marketers must include more excellent entrepreneurial spirit in all facets of the firm's marketing endeavours in challenging and unpredictable environments. This involves discovering innovative processes to cater to customer relationships and identifying untapped market segments (Morrish, 2011). Morris et al. (2002) asserted that there are seven predominant dimensions of EM, which quantify the collective effectiveness of entrepreneurial orientation (EO) and marketing orientation (MO) in the workplace. Entrepreneurship is characterised by four key traits: "proactiveness, risk-taking, innovativeness, and opportunity focus." On the other hand, the marketing aspect is represented by two factors: "the level of customer intensity and value creation." The seventh aspect, "resource leveraging," receives the most significant emphasis in the alternative marketing approach and is also a prevalent issue in entrepreneurship. Unlike traditional marketing, which requires a stable environment, sufficient resources, and marketing expertise for success, EM offers an innovative approach to finding distinctive ways to provide value for consumers (Hisrich & Ramadani, 2017).

The Oslo Manual divided innovation into four categories: product, process, marketing, and management. However, it recommended that "innovation should be specifically characterised as product and process innovation, particularly when assessing innovation across different sectors for research, to reduce industry uncertainty and improve data collection" (OECD, 2005). According to the Oslo Manual's recommendation, process innovation also includes marketing and management processes (Gault, 2018). This study adheres to the guidance of the Oslo Manual (OECD, 2018). Specifically, it examines product and process innovations appropriate for performance-seeking SMEs in emerging countries (Heikkilä et al., 2018). According to the Oslo Manual, "a product innovation is a new or improved good or service that differs significantly from the firm's previous goods or services and has been introduced in the market" (OECD, 2018, p.70). The Oslo Manual (OECD, 2018) defined "process innovation as a new or enhanced business process for one or more functions that significantly differs from the firm's prior processes and has been implemented by the firm."

The effectiveness of EM in achieving organisational success is of utmost importance (Alqahtani & Uslay, 2020). The synergies among the EM dimensions offer firms additional advantages, enabling them to foster innovation and transition between different types of innovation (Miles & Darroch, 2006). Hacioglu et al. (2012) investigated the effect of EM on innovative performance of 560 Turkish manufacturing SMEs revealing that the "proactiveness, innovativeness, customer-focused, and resource-leveraging" dimensions of EM are positively

linked to innovative performance. Liu et al. (2017) found that the impacts of EM on product, process, and management innovations varied as a result of activities taken by competitors. Both positive and negative curvilinear associations were discovered between EM and innovation performances. In their study, Rezvani and Fathollahzadeh (2020) discovered that all dimensions of EM significantly and positively influenced the marketing process and product innovation performance. While certain researchers examined the effects of one type of innovation on the measures of performance, a different group of researchers has analysed the effects of numerous innovations, considering them either as external or internal factors or mediators (Bianchini et al., 2018; Maldonado-Guzmán et al., 2019; Snihur & Wiklund, 2019). However, the innovation employed was not classified in certain research investigations (Jalilvand, 2017). Regardless of the innovation outcomes. This potential in the literature suggests that there is a pressing need for further studies that integrate multiple innovation types, both product and process, as mediating variables in the EM and SME performance relationship.

Several types of research examining the affiliation between innovation and SME performance have consistently demonstrated positive outcomes (Afrivie et al., 2019; Dalgic & Fazlioğlu, 2021). While a few scholars have raised concerns about the advantages of innovation on SMEs (Coad et al., 2016), significant corroborations in the research paradigm confirm the positive impacts of innovation on SME performance as demonstrated in the works of Subrahmanya (2015); Schubert et al. (2019); and Love & Roper (2015). Varis & Littunen (2010) did a study on the impacts of product, process, marketing, and organisational innovations on 264 SMEs in Finland, where they discovered product, process, and marketing innovations had a positive correlation with growth but not with profitability performances of the SMEs. Golovko and Valentini (2011) researched to investigate the connections between innovation and export growth of SMEs and their findings revealed a favourable correlation between innovation and performance measures of the firms. Several studies have found that "both product and process innovations have beneficial effects on business performance in terms of sales and R&D growth (Deschryvere, 2014), staff growth (Triguero et al., 2014), and profitability (Martínez-Román et al., 2015)." In their study, de Lema et al. (2016) discovered that "product, process, and management innovations have a beneficial effect on sales, employee performance, and profitability." Research by Maldonado-Guzmán et al. (2019) in Mexico revealed that SMEs saw improved performance when they enhanced their abilities in product, process, marketing, and management innovations. Research carried out by Oduro & Nyarku (2018) on the impacts of "product, process, marketing, and management innovations" on the performance of SMEs in Ghana stated that innovation contributes to the growth performance of SMEs. Extant literature shows substantial evidence of the positive effects of innovation on SME performance. The claim that investing in innovation within SMEs is potentially risky as the relationship between innovation and performance is inconclusive but supported by many early researchers. Accordingly, Hansen et al. (2019) suggest that scholars should use several innovations to study SME innovation because SMEs use many types of innovation concurrently.

Innovation can also serve as a mediator in better understanding the influence of EM on SME performance. The dimensions of EM and innovation interact to enhance the performance of SMEs, which aligns with other research (Guo et al., 2020; Miles & Darroch, 2006), indicating that during uncertainties, firms should exhibit EM behaviour to regulate their actions. SME entrepreneurs can overcome the adverse effects of the pandemic by proactively identifying existing opportunities and innovating their businesses, leading to multiple innovations

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(Miocevic, 2021). Considering the innovativeness in the EM dimensions, only a few researchers have investigated the impacts of innovation on the relations between EM and SME performance. Innovation is a crucial ability and, when united with EM strategy, leads to enhanced performance in terms of "growth, productivity, market share, efficiency, and financial performance, among other outcomes" (Afrivie et al., 2019; Kalmuk & Acar, 2015). Sahu and Panda (2024) also asserted that EM positively influences the performance of manufacturing-based SMEs in India mediated by innovation, as it allows these enterprises to recognise and exploit new opportunities stemming from shifts in consumer behaviour and economic conditions. Evidence also suggests that innovation alone does not enhance SME performance; instead, it enables strategic orientations like EM that directly contribute to SME performance (Buccieri et al., 2020). SMEs often lack adequate marketing resources, such as personnel and skills, leading them to adopt EM capabilities to fulfil their marketing functions. Through this process, SMEs develop distinctive products for various markets (Bachmann et al., 2021). EM involves proactively identifying and utilizing opportunities to acquire and retain profitable customers by employing innovation. Nevertheless, only a small number of research have investigated the impact of various innovations as mediators between EM and SME performance (Arunachalam et al., 2018; Liu et al., 2017).

The dynamic capabilities theory (DCT) applies to emerging market SMEs, as these firms depend on capability-building processes to address resource voids and achieve market success (Buccieri et al., 2020). DCT serves as a crucial theoretical framework for analysing the essential orchestration processes of "sense, seize, and transformation" in SMEs, which are acknowledged for their entrepreneurial, marketing, and innovation capabilities, as well as their superior adaptability compared to larger firms (Heider et al., 2021). Dynamic capabilities (DCs) reflect an organisation's capacity to attain creativity and innovative competitive advantage within specific path dependencies and market positions. SMEs utilise EM activities to generate disruptive innovations, enabling these firms to compete and succeed in volatile markets (Bachmann et al., 2021; Yang & Gabrielsson, 2017). This study incorporates DCT since it recognises the impacts of various innovation types employed as mediators in the EM-SME performance interrelationship. DCs allow businesses to effectively adopt new products and processes that are hard to imitate (Teece, 2007, 2012). The ability to create innovative products and processes is determined by DCs, as described by Teece et al. (1997). The rationale is that SMEs can augment their performance by effectively utilising EM and employing various innovation capabilities. Thus, the current literature on SME performance, innovation, and EM can be extended by addressing these complexities and linking them to more nuanced performance outcomes. By examining how product and process innovations act as complementary mechanisms in the EM-performance relationship, this study offers an opportunity to provide deeper insights into how SMEs can leverage EM not just to develop isolated innovations but to create a synergistic innovation environment.

The EM orientation has been considered an effective mechanism to characterise innovative marketing strategies for resource-constrained SMEs in unstable environments (Alqahtani & Uslay, 2022). However, there is a scarcity of empirical research investigating EM within the context of emerging markets (Sadiku-Dushi et al., 2019; Yadav & Bansal, 2021) and EM's impacts on SME performance through innovation. There is also a scarcity of studies that have simultaneously employed multiple types of innovation to investigate their effects on business performance (Gupta, 2021). Scholars emphasised the significance of innovation for the success of SMEs in emerging markets like Bangladesh (Arunachalam et al., 2018); still, the mechanisms

through which these ventures cultivate innovation are poorly understood. There have been calls to investigate the innovation activities of SMEs originating from emerging markets (Sun et al., 2019). Thus, the current study addresses the need for research on innovation covering SMEs from different industries (Kocak et al., 2017). This study aims to analyse the synergistic role of EM dimensions on SME performance mediated by product and process innovations in Bangladesh's emerging economy. DCT underpinned the theoretical development of the study. A comprehensive review of the extant literature concerning the four primary constructs of EM, product innovation, process innovation, and SME performance, was conducted. Figure 1 below illustrates the conceptual model based on the hypotheses formulated to examine the relationships among the constructs. The hypotheses of the study are as follows:

H1: EM positively and significantly affects SMEs' process innovation in Bangladesh.

H2: EM positively and significantly affects SMEs' product innovation in Bangladesh.

H3: Process innovation positively and significantly affects SME performance in Bangladesh.

H4: Product innovation positively and significantly affects SME performance in Bangladesh.

H5: Process innovation positively and significantly mediates the relationship between EM and SME performance in Bangladesh.

H6: Product innovation positively and significantly mediates the relationship between EM and SME performance in Bangladesh.



Figure 1. Research Framework

Methodology

This research employed a quantitative methodology using survey research to gather crosssectional data from SME owners or managers operating in various industries in Bangladesh. A total of 66 items derived from established scales have been used to assess the four constructs of this study, as shown in Table 1. All construct items were measured using the five-point Likert scale, starting from 1 = strongly disagree to 5 = strongly agree. The back-translation process was used to translate the questionnaire from English to Bangla language and vice versa by different translators to compare and ensure more accuracy of meanings (Brislin, 1970). Validity and reliability were checked through the pre and pilot testing of the questionnaire, respectively,

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before administering the questionnaire to many respondents (Saunders et al., n.d.). Primary data was acquired, using a survey questionnaire instrument, from the owners or managers of the SMEs in Bangladesh. Due to the absence of a sampling frame for the SMEs in Bangladesh, this study employed a non-probability sampling method, precisely convenience sampling, to choose respondents from the SME population of Bangladesh. The convenience sampling method was employed to pick SMEs representing the research population who are both willing and available (Quinlan et al., 2015). 423 responses were accumulated using online surveys, Google Forms distributed through social media and face-to-face surveys. All the 423 primary data collected were not usable for the final analysis, as 68 were discarded due to not meeting the acceptable criteria. Ultimately, 355 (83.9%) out of 423 data sets were retained after carefully analysing all the data flaws. The collected data underwent screening and preparation to ensure its suitability for analysis. Data analysis was conducted using Statistical Package for Social Sciences (SPSS) version 27 and Partial Least Squares Structural Equation Modelling (PLS-SEM). The background information of the SMEs was analysed using SPSS, while the suggested research framework was tested utilising the PLS-SEM.

Constructs and	Definition	Code	Number	Sources
Dimensions			of Items	
Entrepreneurial	"Integration of concepts and	EM	Seven	(Morris et al.,
Marketing -	theories from			2002)
Independent Variable	entrepreneurship and marketing."			
Proactiveness		PRO	Six	
Opportunity-Focus		OF	Five	
Calculated Risk-Taking		CRT	Three	(Becherer et al.,
Innovativeness		Inno	Four	2012; Sadiku-
Value Creation		VC	Five	Dushi et al.,
Customer Intensity		CI	Seven	2019)
Resource Leveraging		RL	Six	
Innovation	"Implementation of product	INNO	Two	(Gault, 2018;
Capabilities –	and process innovations to			OECD, 2005;
Mediating Variables	create value for multiple stakeholders."			Tarraço et al., 2019)
Product Innovation	"New or significantly improved products or services."	PDT_INNO	Five	(Gault, 2018; OECD, 2005;
Process Innovation	"New or significantly improved production, marketing, or management methods."	PCS_INNO	Seven	Tarraço et al., 2019)
SME Performance -	"Increase a firm's efficiency,	SP	Five	(Li et al., 2009;
DependentVariable	growth, profit, owner's			Sadiku-Dushi et
	personal goals, and reputation."			al., 2019)
Efficiency		EFF	Three	
Growth		GRO	Three	

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Profit	PFT	Three	(Li et al., 2009;
Owner's Personal Goals	OPG	Four	Sadiku-Dushi et
Reputation	REP	Five	al., 2019)

Table 1. Summary of Measures of Constructs

Results

Table 2 below demonstrates the demographic distribution of respondents to the survey according to gender, age, education, role of the respondents in the firm, and industry type. The number of male respondents was 305 (85.9%), whereas the number of female respondents was only 50 (14.1%) of the total respondents. The age demographics of the owners or managers illustrate that there were 79 (22.3%) respondents in the 18 - 30 age group, 170 (47.9%) respondents in the 31 - 45 age group, 94 (26.5%) in the 46 - 60 age group and 12 (3.4%) in the 61 or above age group. The education distributions show that there were 7 (2%) respondents having below high school education, 36 (10.1%) respondents having high school education, 149 (42%) respondents having college or university degrees, 159 (44.8%) respondents having post-graduate qualification and 4 (1.1%) respondents having other education. The statistics of the role of respondents in the firm indicate that there were 117 (33%) respondents who were both owner and manager, 88 (24.8%) respondents who were owner but not the manager, and 150 (42.3%) SMEs in the manufacturing industry, 111 (31.3%) SMEs in the service industry, and 143 (40.3%) SMEs in the trading industry.

Variables	Category	Frequency	Percent (%)
Gender	Male	305	85.9
	Female	50	14.1
Age	18 - 30	79	22.3
	31-45	170	47.9
	46 - 60	94	26.5
	61 or above	12	3.4
Education	Below high school	7	2.0
	High school	36	10.1
	College or university degree	149	42.0
	Post-graduate qualification	159	44.8
	Other	4	1.1
Role of Respondent	Owner and manager	117	33.0
in the Firm	Owner but not the manager	88	24.8
	Manager but not the owner	150	42.3
Type of Industry	Manufacturing Industry	101	28.5
	Service Industry	111	31.3
	Trading Industry	143	40.3

 Table 2. Demographic Profile

Source: Calculated by Researcher using SPSS Version 27

Since survey research is not normally distributed, this study used partial least squares (PLS) modelling with SmartPLS 4 (Ringle et al., 2022) to examine the measurement and structural model. According to Hair et al. (2022) and Ramayah et al. (2018), this study tested the measurement model to ensure instrument validity and reliability before running the structural model to test the hypotheses. This study evaluated the measurement model by analysing the loadings, Cronbach's Alpha (CA), composite reliability (CR), and average variance extracted (AVE). Loadings should be ≥ 0.5 , the CAs and CRs should be ≥ 0.7 , and the AVE should be ≥ 0.5 . Table 3 indicates that the loadings are generally acceptable, with only a few below 0.708 (Hair et al., 2022). All the CAs and CRs exceeded 0.7, while AVEs were above 0.5. This study also assessed the validity and reliability of the second-order constructs, namely EM and SP, as presented in Table 4 below. The second-order measurements were valid and reliable, meeting the above cut-off values.

First-Order Constructs	Items	Loadings	CA	CR	AVE
Proactiveness	PRO1	0.760	0.806	0.861	0.509
	PRO2	0.807			
	PRO3	0.704			
	PRO4	0.662			
	PRO5	0.685			
	PRO6	0.648			
Opportunity Focus	OF1	0.672	0.776	0.847	0.526
	OF2	0.761			
	OF3	0.747			
	OF4	0.708			
	OF5	0.734			
Calculated Risk Taking	CRT1	0.697	0.711	0.831	0.623
	CRT2	0.824			
	CRT3	0.840			
Innovativeness	Inno1	0.780	0.776	0.856	0.597
	Inno2	0.794			
	Inno3	0.775			
	Inno4	0.740			
Customer Intensity	CI2	0.717	0.771	0.843	0.518
	CI3	0.710			
	CI4	0.692			
	CI5	0.718			
	CI7	0.761			
Resource Leveraging	RL1	0.742	0.703	0.818	0.529
	RL2	0.686			
	RL3	0.766			
	RL4	0.712			
Value Creation	VC1	0.717	0.844	0.889	0.615
	VC2	0.842			
	VC3	0.794			
	VC4	0.787			

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	VC5	0.778			
Product Innovation	PDT_INNO1	0.692	0.741	0.837	0.563
	PDT_INNO2	0.769			
	PDT_INNO3	0.764			
	PDT_INNO4	0.773			
Process Innovation	PCS_INNO1	0.692	0.800	0.857	0.501
	PCS_INNO2	0.656			
	PCS_INNO3	0.756			
	PCS_INNO4	0.754			
	PCS_INNO5	0.732			
	PCS_INNO6	0.651			
Efficiency	EFF1	0.875	0.848	0.908	0.766
	EFF2	0.900			
	EFF3	0.851			
Growth	GRO1	0.815	0.765	0.864	0.679
	GRO2	0.852			
	GRO3	0.804			
Profit	PFT1	0.844	0.792	0.875	0.700
	PFT2	0.834			
	PFT3	0.833			
Owner's Personal Goals	OPG1	0.776	0.833	0.888	0.666
	OPG2	0.842			
	OPG3	0.863			
	OPG4	0.779			
Reputation	REP1	0.694	0.763	0.840	0.515
	REP2	0.777			
	REP3	0.621			
	REP4	0.789			
	REP5	0.693			

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Table 3. Measurement Model Assessment of First-Order Constructs

Note: CA = Cronbach's Alpha; CR = Composite Reliability; AVE = Average Variance Extracted

Second-Order Constructs	Indicators	Loadings	CA	CR	AVE
Entrepreneurial Marketing	CI	0.777	0.868	0.899	0.562
(EM)	CRT	0.573			
	Inno	0.806			
	OF	0.812			
	PRO	0.792			
	RL	0.761			
	VC	0.696			
SME Performance (SP)	EFF	0.714	0.760	0.838	0.509
	GRO	0.740			
	OPG	0.725			

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PFT	0.695		
REP	0.692		

Table 4. Measurement Model Assessment of Second-Order Constructs

Note: AVE = Average Variance Extracted; CA = Cronbach's Alpha; CR = Composite Reliability

In step 2, this study evaluated the discriminant validity utilising the HTMT criterion proposed by Henseler et al. (2015) and subsequently refined by Franke & Sarstedt (2019). HTMT values should be ≤ 0.85 for the stricter criterion, while the more lenient criterion allows values to be \leq 0.90. Table 5 indicates that all HTMT values were below the stringent threshold of ≤ 0.85 , allowing us to conclude that respondents recognised the distinctiveness of the four constructs. Both validity tests indicate that the measurement items are valid and reliable.

	EM	PCS_INNO	PDT_INNO	SP
EM				
PCS_INNO	0.554			
PDT_INNO	0.544	0.605		
SP	0.718	0.499	0.537	

Table 5. Discriminant Validity of Second-Order Constructs using HTMT Ratio

Following the recommendations of Becker et al. (2023), this study presented the path coefficients, standard errors, t-values, and p-values for the structural model, as shown in Figure 2 below, utilising a 10,000-sample re-sampling bootstrapping procedure as outlined by Ramayah et al. (2018). Hahn and Ang (2017) criticised using p-values as a criterion for testing the significance of the hypothesis. They recommended employing a combination of criteria, including t-values, p-values, confidence intervals, and effect sizes.



Figure 2. Structural Model

Table 6 summarises the criteria employed to evaluate the hypotheses formulated. Initially, this study assessed the impact of EM on PCS_INNO, yielding an R² value of 0.282 ($Q^2 = 0.263$),

signifying that EM accounted for 28.2% of the variance in PCS INNO. EM and PCS INNO (B = 0.531, t = 7.885, p < 0.05) exhibit a positive and significant association, supporting H1. Subsequently, this study evaluated the impact of EM on PDT INNO, resulting in an R² value of $0.267 (Q^2 = 0.252)$, suggesting that EM accounted for 26.7% of the variance in PDT INNO. EM and PDT INNO ($\beta = 0.516$, t = 7.350, p < 0.05) exhibit a positive and significant relationship, supporting hypothesis H2. Finally, this study assessed the impacts of PCS INNO and PDT INNO on SP, yielding an R^2 of 0.262 ($Q^2 = 0.261$), indicating that the predictors accounted for 26.2% of the variance in SP. PCS INNO ($\beta = 0.243$, t = 3.158, p < 0.05) and PDT INNO (β = 0.327, t = 3.535, p < 0.05) exhibited positive and statistically significant relationships with SP, thereby supporting H3 and H4. Further, to substantiate the support for the hypotheses, the results show that the bias-corrected 95% confidence intervals did not exhibit any intervals that straddled zero for any of the earlier hypotheses, thereby validating our findings. The effect size (f^2) quantifies the change in the R^2 value resulting from excluding a particular predictor variable from the model. Cohen (1988) categorised the f^2 into small (0.02), medium (0.15), and large (0.35) correspondingly. Table 6 shows that EM (0.39 and 0.36) has a large f² in producing R² of PCS INNO and PDT INNO, respectively, whereas the f² of PCS INNO (0.05) and PDT INNO (0.09) are small in producing R² of SP.

This study tested the mediation hypotheses (H5 and H6) by employing bootstrapping techniques for the indirect effect, as recommended by Preacher and Hayes (2004, 2008). If the confidence interval does not include 0, this study can conclude that significant mediation exists. Table 6 indicates that EM \rightarrow PCS_INNO \rightarrow SP ($\beta = 0.129$, t = 2.519, p < 0.05) and EM \rightarrow PDT_INNO \rightarrow SP ($\beta = 0.169$, t = 2.606, p < 0.05) are both statistically significant. The bias-corrected 95% confidence intervals did not exhibit any intervals that straddled zero, thereby corroborating our findings. Consequently, H5 and H6 received support as well.

Η	Relationshi	Std.	Std.	t-	р-	PCI	PCI	f ²	Decision
	р	Beta	Erro	valu	valu	LL	UL		
			r	e	e				
Η	$EM \rightarrow$	0.53	0.067	7.88	0.00	0.41	0.63	0.3	Supporte
1	PCS_INNO	1		5	0	5	6	9	d
Η	$EM \rightarrow$	0.51	0.070	7.35	0.00	0.39	0.62	0.3	Supporte
2	PDT_INNO	6		0	0	1	5	6	d
Η	PCS_INNO	0.24	0.077	3.15	0.00	0.10	0.36	0.0	Supporte
3	\rightarrow SP	3		8	1	6	0	5	d
Η	PDT_INNO	0.32	0.093	3.53	0.00	0.18	0.48	0.0	Supporte
4	\rightarrow SP	7		5	0	1	5	9	d
Η	$EM \rightarrow$	0.12	0.051	2.51	0.00	0.05	0.21	-	Supporte
5	PCS_INNO	9		9	6	2	7		d
	\rightarrow SP								
Η	$EM \rightarrow$	0.16	0.065	2.60	0.00	0.08	0.29	-	Supporte
6	PDT_INNO	9		6	5	0	6		d
	\rightarrow SP								

Table 6. Hypothesis Testing

Note: PCI = Percentile Confidence Interval; LL = Lower Limit; UL= Upper Limit; t-value > 1.645; p-value < 0.05; One-Tailed Test, Confidence Interval at 95% with No Zero; 10,000 Subsamples

Shmueli et al. (2019) further proposed PLSpredict, a holdout sample-based procedure that generates case-level predictions at both the item and construct levels. This method employs a 10-fold procedure to assess predictive relevance. Shmueli et al. (2019) proposed that when all item differences (PLS-LM) are lower, strong predictive power is indicated; conversely, if all are higher, predictive relevance is not confirmed. A majority of lower values suggest moderate predictive power, while a minority indicates low predictive power. According to Table 7, most errors in the PLS model of PCS_INNO are lower than those in the LM model, suggesting moderate predictive power. All the errors of the PLS model for PDT_INNO were consistently lower than those of the LM model, indicating strong predictive power. The PLS model for the dimensions of SP exhibits a minority of errors compared to the LM model, indicating low predictive power.

	Q ² predic	PLS- SEM DMS	LM_RMS	(PLS- SEM DMSE	Interpretatio
	l	E	E		11
		2		(LM_RMSE	
)	
PCS_INNO 1	0.123	0.669	0.669	0.000	
PCS_INNO 2	0.089	0.633	0.640	-0.007	Moderate Predictive
PCS_INNO 3	0.127	0.585	0.589	-0.004	Power
PCS_INNO 4	0.150	0.657	0.657	0.000	
PCS_INNO 5	0.146	0.594	0.601	-0.007	
PCS_INNO 6	0.140	0.593	0.595	-0.002	
PDT_INNO 1	0.107	0.705	0.710	-0.005	Strong
PDT_INNO 2	0.147	0.627	0.638	-0.011	Predictive Power
PDT_INNO 3	0.150	0.643	0.652	-0.009	
PDT_INNO 4	0.143	0.639	0.645	-0.006	
EFF	0.103	0.950	0.951	-0.001	
GRO	0.144	0.928	0.914	0.014	
OPG	0.131	0.935	0.920	0.015	Low
PFT	0.079	0.962	0.953	0.009	predictive
REP	0.183	0.907	0.836	0.071	power

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2176 Entrepreneurial Marketing and SME Performance Table 7. PLS Predict

Discussion

The study reveals that EM significantly drives product and process innovation (H1 and H2), reinforcing prior findings that EM behaviours lead to innovation outcomes (Bachmann et al., 2021). Addressing the empirical gap on EM's role in fostering innovation within SMEs aligns with previous research on innovation's performance benefits in emerging markets (Arunachalam et al., 2018; Chang & Hughes, 2012). The findings of this study also indicate that EM facilitates both product and process innovation aligning with empirical research in the EM literature (Ahmadi & O'Cass, 2016; Buccieri et al., 2023; Kocak et al., 2017). The current study, however, supports prior research indicating that innovation is more common among SMEs (Oduro & Nyarku, 2018). Additionally, the study supports evidence that EM positively influences marketing processes and product innovation (Rezvani & Fathollahzadeh, 2020).

Crucially, the links between product and process innovation and SME performance (H3 and H4) were confirmed, showing that innovation strategies significantly enhance competitiveness and performance (Dalgiç & Fazlıoğlu, 2021; Eggers et al., 2020). The findings are consistent with the literature, which indicates positive effects of product and process innovation on SME performance (Deku et al., 2023; Morrish et al., 2020; Najafi-Tavani et al., 2018; Subrahmanya, 2015; Varis & Littunen, 2010). SMEs are stimulated to concentrate their innovation strategies on achieving competitive advantages and enhancing performance (Le & Ikram, 2022; Li, 2021). Innovation is acknowledged as a viable approach to develop distinct products or processes that surpass competitors while addressing customer needs (Ferreira et al., 2020). Studies suggest that firms implementing diverse innovations perform better in local and international markets (Chege et al., 2020; Falahat et al., 2020). Thus, businesses must prioritise innovation to develop new strategies for market survival, as it is an essential factor in achieving competitive advantages and enhanced performance (Hwang et al., 2020; Kafetzopoulos et al., 2020). These findings highlight innovation as a key driver for SMEs essential for survival and sustained growth in dynamic markets.

The study further stresses the mediating role of innovation in the EM–SME performance relationship (H5, H6), enhancing metrics like growth, efficiency, sales, and financial performance (Afriyie et al., 2019; Bianchini et al., 2018; Kalmuk & Acar, 2015). The findings of this study, while acknowledging situational differences, align with the research of Hamali et al. (2016), Fard and Amiri (2018), and Buccieri et al. (2023). This study employed the EM perspective to analyse the creative marketing strategies of resource-constrained SMEs to enhance understanding of their performance determinants in Bangladesh. Implementing innovative practices in services, business processes and product innovation is essential (Pascual-Fernández et al., 2021; Rhee & Stephens, 2020). The interplay between EM and innovation contributes to the performance of SMEs, consistent with existing literature (Guo et al., 2020; Miles & Darroch, 2006). Focusing on Bangladesh's SMEs provides actionable insights into leveraging EM for sustained performance. This research emphasizes the importance of innovation as a catalyst for navigating uncertainties and resource constraints, ensuring SMEs remain competitive and resilient in volatile markets (Caballero-Morales, 2021).

The study makes several contributions. First, it integrates EM with product and process innovations, demonstrating their combined impact on SME performance by building on prior knowledge (Gunday et al., 2011; Bachmann et al., 2021). Second, it broadens the applicability of DCT to SMEs in emerging markets, demonstrating how EM behaviours enhance dynamic

capabilities to drive disruptive innovations and sustain competitive advantages (Bachmann et al., 2021; Yang & Gabrielsson, 2017). Third, it highlights innovation as both a mediator and a DC outcome, offering a refined framework to understand how DCs foster innovation and improve performance. Lastly, it highlights the role of EM in managing uncertainty and positioning innovation as a key driver of SME success in emerging markets (Miocevic, 2021).

Conclusion

In light of the significance of SMEs to OECD economies (OECD, 2018), research on SMEs has focused on identifying the factors that contribute to their continued success, while entrepreneurial marketing (EM), product and process innovation are being proven by this research as highly pertinent for the improvement of the performance of the SMEs. To the authors' knowledge, this study is among the few that employed quantitative empirical analysis to demonstrate that EM serves as a significant antecedent to product and process innovation. Research focusing solely on the first-order impact of EM on outcome variables fails to account for the synergistic impact of the EM construct, a gap addressed by the approach of the authors of this article. This study empirically examined the relationship between EM, product and process innovation, and SME performance, representing one of the limited analyses (Homsi et al., 2019) that characterised EM in its intended higher-order conceptualization, contributing to the methodological advancement of EM research. This approach enhances prior research by addressing the composite nature of EM.

This study offers novel insights into the dynamic and turbulent economic context of Bangladesh, contributing to both theoretical understanding and practical applications. By investigating the antecedents and outcomes of product and process innovations in SMEs, it bridges critical gaps in the literature, particularly within the framework of Dynamic Capabilities Theory (DCT). This study extends DCT by asserting that EM is a valuable resource, enabling SMEs to gain competitive advantages and enhance SME performance by promoting innovation capabilities. This study examines the innovation deficit from EM to innovation, offering insights and an SME innovation-SP interface represents an additional output of this study. Nonetheless, the study enriches DCT by positioning EM as a resource that helps SMEs sense, seize, and transform opportunities into innovation, fostering resilience and adaptability in the post-COVID-19 context (Mikalef et al., 2019; Miller et al., 2023).

For practitioners, the study offers a strategic roadmap to help SME managers and policymakers navigate market challenges and achieve sustainable growth. Managers or owners of SMEs in Bangladesh should identify and implement DC strategies to enhance SME performance. Moving forward, future research should build upon these findings by exploring alternative innovation types (i.e., business model innovation), examining the interaction of EM with other dynamic capabilities (absorptive or networking capability), objective performance measures relevant to accurately measure the success of SMEs and investigating the impact of government policies, upskilling or funding support, or diverse cultural contexts on EM-SME performance nexus driven by innovation.

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Appendices



Appendix A: Disjoint Two-Stage Measurement Model of First-Order Reflective Constructs

Appendix B: Discriminant Validity: HTMT of Firs-Order Constructs

	CI	CR	EF	GR	Inn	OF	OP	PCS_IN	PDT_IN	PF	PR	RE	RL	V
CT.		Т	F	0	0		G	NO	NO	Т	0	P		C
CI														
CRT	0.48													
	3													
EFF	0.26	0.22												
	5	5												
GRO	0.43	0.32	0.51											
	7	3	3											
Inno	0.67	0.56	0.33	0.45										
	9	2	9	9										
OF	0.75	0.51	0.31	0.44	0.72									
	4	3	4	5	3									
OPG	0.34	0.30	0.42	0.53	0.38	0.34								
	7	5	2	8	2	4								
PCS_IN	0.48	0.29	0.36	0.40	0.59	0.54	0.31							
NO	5	8	0	2	4	0	9							
PDT_IN	0.48	0.35	0.41	0.42	0.57	0.51	0.43	0.779						
NO	6	3	1	6	7	8	3							
PFT	0.16	0.12	0.62	0.51	0.27	0.30	0.50	0.353	0.354					
	2	6	8	6	3	8	0							
PRO	0.71	0.42	0.41	0.51	0.67	0.77	0.45	0.584	0.601	0.36				
	2	5	1	2	0	9	6			9				
REP	0.61	0.32	0.37	0.50	0.62	0.49	0.49	0.481	0.512	0.30	0.51			
	6	8	1	4	5	1	9			3	6			
RL	0.66	0.55	0.38	0.44	0.78	0.74	0.47	0.557	0.525	0.33	0.61	0.53		
	9	0	9	3	2	0	4			2	9	3		
VC	0.61	0.41	0.34	0.37	0.62	0.57	0.39	0.318	0.387	0.32	0.60	0.54	0.60	
	9	3	3	9	2	4	5			6	8	9	7	



2186 Entrepreneurial Marketing and SME Performance Appendix C: Measurement Model of Second-Order Reflective Constructs