

**THE MEDIATING ROLE OF MARKETING INNOVATION ON THE  
RELATIONSHIP BETWEEN ENTREPRENEURIAL ORIENTATION AND FIRM  
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES**

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Philippines**ABSTRACT**

This study was conducted to ascertain the role of marketing innovation intervention towards the perspective of entrepreneurs in the success of small and medium sized businesses. Descriptive-correlation research design was utilized to determine the relationship between variables. This study also used Medgraph sobel z-test and Path Analysis for the examination of the significant relationships between different elements via mediation of the three factors were exposed. Using stratified sampling technique, the respondents of the study were 357 small and medium enterprises owners in different municipalities of Davao Oriental province. The primary data collection tool was standardized validated instrument. Using mean method analysis, the findings showed that the measure of entrepreneurial process and enterprise execution were elevated and the level of marketing innovation was moderate. Moreover, a notable connection between entrepreneurial attitude and company performance was observed. Similarly, a crucial association between entrepreneurial perspective and marketing innovation was perceived. Strong connection was observed between marketing innovation and company performance, showing a positive correlation. Finally, marketing innovation discovered to be partially mediate the connection between how entrepreneurial a company is and how successful it is in terms of performance.

**Keywords:**

*business administration, entrepreneurial orientation, marketing innovation, firm performance, mediation, mean, path analysis, Philippines*

**INTRODUCTION**

Economic globalization has posed numerous obstacles for small and medium sized establishments (SMEs) performance due to the rapid increase in competition (Liu and Huang, 2020). As a result, SMEs have a high rate of failure within a short amount of time after they start out (Gamage et al, 2020). In addition, an empirical study on SMEs closure and downsizing in Nigeria explored marketing innovation and entrepreneurial orientation impact towards Nigeria's businesses. The authors discovered that SMEs' performance was severely affected by a lack of entrepreneurial orientation and marketing innovation, which resulted in closures and downsizing. According to the findings, SMEs should invest in cutting-edge marketing techniques to boost their level of competition and cultivate entrepreneurial abilities to boost their profitability (Dare, et al., 2018). Similarly, Chinn et al (2020) study, examined how SME closures and downsizings affected local economies and job losses as a result of a lack of entrepreneurial orientation and marketing innovation. Since SMEs are a significant source of employment and economic growth, the authors discovered that SME closures and downsizings had a detrimental impact on job losses and local economies. In terms of competition, SMEs face the challenge of competing with large, well-established firms that have established a presence in other countries and are leveraging their global presence to increase their market share (Sarker, 2019). SMEs face a number of significant challenges in marketing innovations, such as lack of access to the necessary technology, limited digital skills, and lack of access to digital infrastructure (Liu and Lu, 2020). This lack of access to technology and digital infrastructure undermines SMEs ability to effectively utilize digital marketing techniques, such as online community platforms and optimizing search engine rankings, to extend customer base and establish a brand. (ITU Telecom World, 2019).

In the Philippines, the study by Tabirara and Tiongco (2018) highlights a number of challenges that SMEs face, such as increased competition from foreign firms, higher costs for inputs, and the need to keep up with technology. Increased economic globalization led to increased competition among SMEs, and also resulted in higher costs for materials and inputs, leading to lower profits (De Leon, 2019). Also, SMEs had difficulty in adapting to fast-changing technology and were unable to access new markets (Frenz and Reger, 2020). As such, SMEs were unable to take advantage of the benefits associated with globalization, such as lower prices and increased access to new markets (Ocampo, 2018). SMEs are an important factor in the economic landscape, considering a 63.2 percent of employment, yet their overall productivity is much lower than that of large companies, with only 35.7 percent of gross value added (GVA) coming from SMEs. (Francisco et.al, 2019).

Studying small and medium enterprises play a significant role for various reasons. First, SMEs are the backbone of many economies, and understanding their performance can help governments design better policies and public programs to support them (Chitra et.al.,2018; Gizelis et.al.,2020). Second, SMEs often have unique challenges due to their size and limited resources, and understanding how to help them succeed can be beneficial for the businesses and their local communities (Chen et.al., 2020). Third, Understanding the performance of SMEs is vital for identifying the factors that drive their success and for developing strategies for marketing innovation (Bosch, 2021).

Studies of SME performance help to identify the most successful strategies for marketing innovation, and provide insights into the best ways to target and reach potential customers (Branicki, 2018). Finally, research into SMEs performance can lead to a better understanding of the overall economy, as small businesses have a significant impact on job creation and economic growth (Lambert, 2019).

Recent studies have offered key insights into comprehending of the success of small and medium businesses, entrepreneurial orientation, and marketing innovation. For example, a study conducted by Tambunan (2018) and Haider, J., & Afza, T. (2019)., found that the association among entrepreneurial orientation and enterprises was robust for firms that had higher levels of marketing innovation. Another study conducted by by T.J. Do and B.M. Song in 2019, discovered that companies with a more entrepreneurial attitude tend to be more likely to adopt marketing innovation, which in turn can lead to improved firm performance. This emphasizes the importance of embracing entrepreneurial orientation to capitalized on marketing prospects (Papadopoulos, 2020). In conclusion, studies give significant insights into how marketing innovation impacts the connection between entrepreneurial orientation and the performance of SMEs. (Karakaya and Öztürk, 2019).

The independent variable involves the implementation of procedures, methods, and choices that create the potential for a new venture (Eddleston and Echambadi, 2020). A company is said to be making a new entry when it introduces something that has never been done before, such as new products, services, technologies, markets, or business models (Covin and Wales, 2019). Entrepreneurial orientation has been studied as an important factor in the execution of SMEs (Kapur, 2020). Research conducted in 2020 suggests that there is a strong connection linking Entrepreneurial Attitude and the performance of Enterprises. For example, a work published in 2020 by Salemi, Khedmati, and Ghazinoori found that EO was associated with higher financial performance in SMEs operating in Iran. Similarly, a study conducted by Chen and Wang in 2020 found that EO had a positive supremacy on Taiwan's SMEs accomplishments. Authors concluded that EO could be used as a strategic tool to improve the performance of SMEs. It appears that EO is connected to better performance of SMEs, no matter the nation in which they are based.

The majority of businesses are looking for ways to improve their performance in any manner they can (Tracy, 2020). Those who work hard to achieve and maintain excellence have a distinct advantage. As a result, understanding and monitoring performance in a constantly changing environment is critical (Taouab and Issor, 2019). In this regard, the scalability of SMEs as a strategic stimulator of economic growth is still in question. This has sparked significant and growing interest in small and medium-sized companies, with no exemption for their performance (Abor and Aidoo, 2019). Recent studies have looked into how marketing innovation can affect the connection between entrepreneurial perspective and the performance of SMEs. (Hudson, et.al.,2019). In a study by Özkan et al. (2020), the authors found that marketing innovation had a significant mediating effect on the association linking entrepreneurial attitude

and enterprise performance. The study also identified several gaps in the literature, including further research is required to investigate how marketing innovation affects the connection in the middle of entrepreneurial perspective and a business' accomplishments in various contexts, such as different countries or different industries. Additionally, the authors suggested further research to explore the interaction between marketing innovation and other organizational factors, such as corporate culture and competitive strategies. Finally, the study suggested that future research should also reconnoiter the part of marketing upheaval in the development of strategies and tactics to maximize firm performance. As a result, this research may help to fill in the gaps in developing countries like the Philippines, particularly in the provinces of the Davao region, such as Davao Oriental. This section includes literature and studies that describe the variables and their relationships. In other words, the study includes ideas, theories, findings from studies and publications, as well as significant inputs from authors relevant to the work topics as to provide evidence to validate the research objectives and to illustrate a comprehensive understanding. Variables will be discussed consisting of the predictor and outcome variable, mediating variable and the correlations of variables.

Existing literature provides inconclusive evidence that entrepreneurship traits are direct antecedents of a company's performance, whether measured by financial, marketing, or other metrics, especially in developing Asian countries (Chang and Hong, 2022; Pal and Bhatnagar, 2020; & Zhang and Hong, 2021). A meta-analysis conducted in 2019 by Tummers et al. (2019) revealed that there is a strong correlation between the entrepreneurial perspective of SMEs and their overall performance. Similarly, a work conducted through Kuzmickiene & Gruzeviciene (2020) discovered the same in the Lithuanian market.

For this study, there are five markers of entrepreneurial inclination. The points of this study will be illuminated by these five markers of entrepreneurial inclination. Innovativeness is the first indicator. One of the first authors to recognize its relevance was Joseph Schumpeter (1934). Recent research has investigated the function of entrepreneurial attitude in terms of innovativeness and it has been found positively associated with, as well as with market orientation, customer orientation and proactiveness (Füller et al., 2019). Furthermore, it has been argued that entrepreneurial orientation can give businesses a competitive edge by encouraging and fostering innovation. (Liang, 2019). In addition, entrepreneurial perspective has been linked to higher levels of customer-oriented activities, such as generating new ideas and introducing new products (Füller et al., 2018). Moreover, entrepreneurial orientation has been uncovered to be linked with increased levels of organizational learning and knowledge creation (Liang et al., 2018). Finally, it has been found to be moderated by the environmental context, such as the level of competition and the availability of resources (García-Morales et al., 2018).

The second indicator is proactiveness. In recent years, many studies have investigated the correlation between the entrepreneurial attitude of small and medium-sized businesses and their performance. For instance, Fayolle, Lassas-Clerc & Daudigeos (2018) examined the connection between proactive behavior and the success of small and medium-sized enterprises, discovering a beneficial correlation between the two. Additionally, Álvarez, Font, & Rueda-Armengot. (2019) linked entrepreneurial orientation of SMEs to their performance and found that those were more proactive and open to innovation had higher performance. In addition, Fong et al. (2020) and Cai et al. (2021) found that SMEs with a more proactive entrepreneurial orientation, which included higher levels of innovation, had better performance outcomes. In conclusion, Tan and Ismail (2023) determined that proactiveness and entrepreneurial perspective are positively correlated to firm performance in SMEs. This finding supports the notion that these aspects are beneficial to the success of small and medium-sized enterprises.

The third indicator is competitive aggressiveness. In 2018, Atilgan et al. carried out a research project to investigate the connection between competitive aggressiveness and the execution of small and medium-sized enterprises (SMEs). They concluded that there was a positive correlation between competitive aggressiveness and SME performance. The following year, Dziamba (2019) carried out a study in Poland and discovered that SMEs with an entrepreneurial orientation were more likely to use competitive

aggressiveness strategies, which had a beneficial impact on their business performance. In 2020, Cha et al. looked into the influence of entrepreneurial orientation on the competitive intensity of South Korean small and medium-sized enterprises (SMEs). The research revealed that SMEs with higher entrepreneurial orientation tended to be more competitive, which resulted in improved corporate performance.

The fourth indicator is autonomy. SMEs with higher levels of autonomy tend to have better performance (Yin et al., 2018). Similarly, Eliyas and Ullah (2018) found that entrepreneurial orientation and autonomy are significant determinants of the SMEs accomplishments. Studies have repeatedly indicated that autonomy is connected to a higher level of entrepreneurial perspective and business performance for SMEs. Mazri (2020) and Zeng (2020) both found that there is a positive correlation between autonomy and entrepreneurial perspective. Similarly, Echeverria (2021) reported that autonomy has a direct impact on the performance of SMEs. This was also confirmed by Zhang (2021), who found that autonomy is an essential factor in determining the performance of SMEs. Lastly, Wang et al. (2023) indicated that entrepreneurial orientation, particularly autonomy, is critical for the business performance of SMEs.

The last and fifth indicator of EO is risk-taking. One of the most comprehensive reviews of related literatures was conducted by Rauch, Frese, and Wiklund (2018) which found that there is a positive correlation between taking risks and improved performance in businesses, with the impact being more pronounced in small and medium-sized enterprises than in larger corporations. In 2019, Chiu and Chen conducted a study in Taiwan and discovered that risk-taking is an essential part of entrepreneurial processes and has a positive effect on businesses execution, particularly among smaller businesses. This was supported by a 2020 study conducted by Chang and Wei which looked at the relationship between entrepreneurial orientation and firm performance in the context of SMEs in China. They found that both risk-taking and innovation orientation have a positive impact on firm performance, which suggests that risk-taking is especially beneficial for small and medium-sized enterprises.

In recent years, researchers have been increasingly interested in the correlation and association between entrepreneurial adaptation and SME's marketing innovation. Such as, a study by Andrade (2018) and Mohamad et al. (2019) identified a positive correlation between the two variables. Additionally, a study by Veneri et al. (2020), by Lee et al. (2021) and Hou et al. (2023) found that entrepreneurial orientation significantly improves marketing innovation in SMEs. These findings suggest that entrepreneurial process is a vital aspect in determining SMEs success.

Firm performance (FP) is a measure of how well a company is doing in attaining its goals and objectives: maximizing financial gain (Alsulmani et.al, 2021; Alyaarubi, et.al, 2021; Ahmed, 2020). Therefore, achieving sustainable profitability is linked to certain metrics such as increases in sales, employment and gross profit (Al-Aamri et.al, 2021).

Recent research such as by Martin et al. (2021) found that marketing innovation had a positive association with firm performance. These findings were further reinforced by Brouwer et al. (2022) and Wang et al. (2023), whose studies reported that marketing innovation has a positive and significant effect on the performance of SMEs. Overall, these studies suggest a strong correlation between marketing innovation and firm performance of SMEs. Adoption of marketing innovation is another marketing strategy that has proven to be successful in times of crisis (Naidoo, 2010). Marketing innovation is a strategy for gaining and maintaining a competitive edge (Anning-Dorson et al. 2018). Market innovation is the use of a new marketing plan that includes modifications to the product, price strategy, packaging style, and product placement Hussain et al. 2020). It may also be defined as the generation of value through the application of appropriate information and capabilities to adopt a new marketing strategy or make enhancements to an existing one (Varadarajan, 2018). The objective of marketing innovation is to better answer the needs of customers, provide the company's product a new market position, or open up new markets (Widjojo et al. 2020). Although more daring, introducing market-leading marketing strategies has a great potential to boost profits. When properly implemented, the company can reap considerable rewards (Tang et.al, 2021). Scholars believe that successful businesses must keep up to current on the industry and use novel marketing strategies on a regular basis (Quaye and Mensah, 2019). Both sorts of marketing innovations

put the customer first and look for innovative ways to stay competitive. As a result, both types of marketing innovations help firms perform better.

The above-mentioned literature relates to the study's variables, which include entrepreneurial orientation, company performance, and marketing innovation. The mentioned readings are quite relevant to the research. According to the declarations, entrepreneurial orientation is a critical component of entrepreneurship and strategy, as it expresses management vision and guides organizational efforts to develop innovations that benefit customers and the businesses. On the other hand, because marketing is fundamental to value generation, the mediation of a marketing innovation is critical to a firm's overall performance.

To summarize, the cited studies were extremely helpful in revealing probable connections between entrepreneurial orientation, SME firm performance, and marketing innovation. These could also be used to support the study's presentation, results, and conclusions.

The following theoretical foundations and propositions of various writers relevant to the variables of this study are used to support this research. This section starts with an explanation of the idea of firm performance, which is the main dependent variable of this study and then moves on to the linkages of variables.

The Strategic Orientation Model proposed by Miller and Friesen (1983) serves as the underlying theory for this study. It is an influential framework for understanding how firms can achieve superior performance. The model suggests that firms should have a proactive, customer-oriented, and market-driven orientation to achieve superior performance. This means that firms should proactively seek out opportunities and develop strategies to capitalize on them, focus on customer needs and preferences, and continuously monitor and adjust to changing market conditions.

The following viewpoints are mentioned to support the aforesaid theory

Miller (1983) and Covin and Slevin (1991) original work on entrepreneurial orientation (EO) identified three distinct dimensions of the construct: innovativeness, proactiveness, and risk-taking. They argued that these three dimensions of EO could be used to explain why some organizations were more successful than others. In the years since Miller and Covin and Slevin's original work, other researchers have expanded on their concept of EO. Lumpkin and Dess (1996) increased the model by incorporating two more characteristics: competitive aggressiveness and autonomy. These two new dimensions better capture the full scope of EO, since they emphasize the active pursuit of opportunity and the willingness to take risks. Lin et al.'s 2021 empirical study analyzed how entrepreneurial orientation in small and medium enterprises (SMEs) affects their performance. Lumpkin and Dess' five dimensions of EO, which include innovativeness, proactiveness, competitive aggressiveness, autonomy, and risk-taking, were taken into consideration when looking at the impact of EO on SME performance. The results of the study showed that all five entrepreneurial orientation dimensions were significantly associated with SME performance. The study indicated that innovativeness and competitive aggressiveness had the most positive effect on SME performance, while autonomy and risk-taking had a more moderate effect. The findings of the study provided evidence that entrepreneurial orientation can be an important factor in the success of SMEs.

The Balance Scorecard theory is a performance management tool used to measure and evaluate a company's performance. It was created in the early 1990s by Robert Kaplan and David Norton, and it is a system of assessing performance that involves four perspectives: financial, customer, internal business processes, and learning and growth. All of these areas are monitored and evaluated by key performance metrics that provide insight into progress. The theory is based on the premise that a company must balance financial and nonfinancial performance in order to be successful. Recent empirical studies have used the Balanced Scorecard (BSC). The BSC was tested in a research study by Chua et al. (2020) involving SMEs in the food and beverage sector in Singapore. The results of this study showed that the BSC was successful in gauging the performance of the SMEs in four aspects: financial, customer, internal process, and learning & growth. The study also found that the SMEs in the sample had a positive performance in

all four perspectives, suggesting that the BSC could be used effectively to assess the performance of SMEs. A recent study by Jayakumar et al. (2019) utilized the Balanced Scorecard to measure the performance of SMEs in the Malaysian construction industry. The results of the study showed that the BSC was successful in assessing the performance of the SMEs from financial, customer, internal process, and learning & growth perspectives. Moreover, the research found that the SMEs in the sample had a positive performance in all four areas, indicating that the BSC is an efficient way to evaluate SME performance in the construction industry.

Srivastava, Shervani and Fahey (1999) proposed a framework on marketing innovation using the three core business processes: product-space, process-space and relationship-space. They asserted that product design, cost structure and promotions should be employed together to form a successful marketing approach, and that these three components are the main drivers of competitive superiority.

One recent empirical study that supports the framework of Srivastava, Shervani, and Fahey (1999) on marketing innovation to firm performance of SMEs is a study conducted by Li, Zhang, and Zhang (2019). This study analyzed the relationships between the marketing innovation activities of SMEs in China and their performance. The findings suggest that marketing innovation activities, such as product innovation, process innovation, and sales and marketing process innovation, have a significant positive impact on the performance of SMEs in China.

Furthermore, entrepreneurial orientation, in combination with learning and marketing orientation, was proven to be beneficial to optimizing innovation and, in particular, SMEs' commercial performance. Apart from the direct consequences, these characteristics also have an indirect impact on business success by influencing organizations' knowledge and innovation capabilities (Wahyuni and Sara, 2020).

Figure 1 presents a conceptual model illustrating the connections between the variables of Entrepreneurial Orientation. The research is centered around five dimensions of Entrepreneurial Orientation: innovativeness, proactiveness, competitive aggressiveness, autonomy, and risk-taking (Lumpkin and Dess, 1996), which make up the independent variable. Innovativeness involves looking for new and inventive solutions to problems and striving to develop novel products and services as well as processes; Proactiveness is the capability to anticipate future market demands and exploit chances before others; Competitive Aggressiveness is the effort to outdo other competitors in the same industry; Autonomy is the capacity to take independent action to realize a concept or vision and ensure its successful completion; Risk-taking is making decisions and taking action without a certain outcome in mind and may involve considerable resource commitments.

The outcome of the research is Firm Performance, which is evaluated through financial indicators such as profit, sales, and cash flow, and non-monetary factors such as customer approval, internal operations, and development and expansion should be taken into account. *Profit* refers to the profitability of the firm over time; *sales* a company's ability to generate revenue and is an important metric for understanding the overall health of a business; and *cash flow* provides insight into the ability of a business to generate and manage its cash resources, which can be critical to its survival and success and non-financial measures: *Customer Perspective* looks at goals and objectives from the customer's point of view, such as meeting customer needs and driving market share. Internal Process Perspective focuses on improving internal processes, such as quality, efficiency, and capacity utilization. *Learning and Growth Perspective* concentrates on less tangible elements like employee engagement, training, and organizational development.

Viewing marketing innovation through an established core business process framework can give natural areas for it. For example, the marketing-product space focuses on understanding the needs of current and potential customers and working with internal and external teams to create the product quickly. The connection between product development management and the market-process space is apparent, and the marketing-relationship space ties closely to the customer relationship management process, as outlined by Srivastava, Shervani and Fahey (1999).

### OBJECTIVES

The purpose of this research is to explore the extent to which marketing innovation affects the connection between entrepreneurial orientation and the performance of small and medium businesses. The research will have five objectives: 1. determining the levels of entrepreneurial orientation (innovativeness, proactiveness, competitiveness, autonomy, and risk-taking) in small and medium enterprises; 2. gauging the company's financial and non-financial performance; 3. assessing the amount of marketing innovation used; 4. assessing the significance of the links between entrepreneurial orientation and company performance, entrepreneurial orientation and marketing innovation, and marketing innovation and company performance; and 5. determining if marketing innovation is a mediator in the relationship between entrepreneurial orientation and company performance.

### METHODOLOGY

This research study involved asking 357 small and medium enterprise owners questions based on Robert Sloven's (1960) formula. The people who were asked to answer the questions were selected through stratified sampling, a type of probability sampling that divides the total population into subgroups (strata) and randomly samples from each of the strata. This sampling method ensures that all strata are represented in the sample and that the proportion of the strata in the sample is the same as in the population (Dalrymple, 1987). Stratified sampling allows researchers to control the representation of specific population characteristics in the sample, such as gender, race, or age, and to ensure that a representative sample is obtained.

The study's respondents are characterized as owners of agriculture, tourism, manufacturing, retail, services and food processing in the province of Davao Oriental. The analysis excludes large businesses or firms.

The responders will not be fined or have their eligibility for benefits reduced as a result of their refusal to participate. At any time, they are allowed to cease participating and withdraw their consent without suffering any repercussions. They are not giving up any claims, rights, or recourse as a result of their participation in this study endeavor.

The research was carried out in the municipal public marketplaces and traders in the downtown areas of Davao Oriental province. Davao Oriental is one of the provinces in Davao Region that is located in the Philippine's southeast. It is divided into two congressional districts, each of which covers ten towns and one city.

The survey instruments were checked for accuracy by conducting content validity and reliability analysis. Additionally, to further ensure the validity of the survey questionnaires, which were adapted from previous studies, experienced external professionals in the area of social research and statistics were consulted. In addition, it was also subjected to pilot testing to respondents with an acceptable Cronbach Alpha.

The original study of Callaghan (2009) was used to formulate the first questionnaire. This instrument measures an individual's entrepreneurial attitude using five elements: innovativeness, proactivity, competitive drive, autonomy, and risk-taking (Lumpkin and Dess, 1996). Each factor was rated on a 5-point Likert Scale from 1 (Very Low) to 5 (Very High). The reliability of the Entrepreneurial Orientation measure was established with a Cronbach's Alpha of .918.

The second set of questionnaires was based on Mamorena and Olumide's (2014) study concerning financial performance, including profitability, sales, and cash flow; and Omran et.al (2019) using five likert scale from 1 (poor) to 5 (outsanding) for non-financial performance scale to measure firm performance into three perspectives namely: internal business perspective, customer perspective and employee (learning and growth) perspective. The Cronbach's Alpha of .912 indicates that the reliability of financial performance is high.

The third tool employed was a questionnaire designed to assess marketing innovation, adapted from Kim-Soon et al. (2017). This five-point Likert had a Cronbach's Alpha of .904, indicating a high degree of reliability.

In evaluating the level of entrepreneurial orientation towards firm performance constructs, the following scale was used.

Required information will be acquired in a methodical manner. First, the researcher will submit a letter to the Provincial Director of Department of Trade and Industry asking for permission to conduct the study

among the various owners of small and medium-sized businesses under their purview. After approved, surveys will be sent in September. The researcher personally visited the respondents to hand out surveys.

The descriptive-correlational research design of Francis Galton of nineteenth century was adopted in this study. It is a type of research that is used to investigate the connections and interactions between multiple variables, one must look into how they are related and the impact they have on each other. It is sometimes referred to as an observational research design because it involves observing and measuring the relationship between variables. Descriptive statistics are data that has been evaluated to indicate the fundamental characteristics of data gathered or used in a study. The formation of specific patterns that make it easy for the researcher to analyze and make sense of data is a regular occurrence when employing descriptive data. In contrast, correlational research is a non-experimental approach that utilizes statistical techniques to assess the connection between two variables. This type of research can be used in market research to identify factors and analyze how they interact with each other (Creswell, 2018).

Data collection was carried out in municipal marketplaces and downtown areas of Davao Oriental province. The researcher initially discussed the concept with her adviser before creating and revising the survey instruments, which were then assessed by specialists in the area and given an average grade of 4.5. Upon clearance of the Ethics Review Committee, a written authorization was obtained from the Department, along with an approval letter from the Dean. Following this, the survey was administered between December 1st and 23rd, and the data was then tallied.

The researcher employed a range of statistical techniques to interpret and analyze the data. The **Pearson Product Moment Correlation** was employed to ascertain the relationships between entrepreneurial orientation, marketing innovation, and firm performance, while **mean** was used to assess the levels of those three variables. The mediation was confirmed through the use of **Medgraph's Sobel z-test**. **Path Analysis** was brought into play to assess the influence of marketing innovation on the relationship between entrepreneurial orientation and firm performance is being explored.

The researcher made sure that all ethical regulations were complied with while executing the experiment. The proposal for the research was presented to the University of Mindanao Ethics Review Committee (UMERC) and it was given the okay, with a certificate number of UMERC-2022-299. Additionally, the researcher followed the protocols for assessment, and adhered to standardized criteria with regards to the population and data collection. The researcher followed the ethical steps to establish ethical consideration.

## RESULTS AND DISCUSSION

### Entrepreneurial Orientation

The data in Table 1 shows that the entrepreneurial orientation of the company is strong, with an average score of 3.65 and a standard deviation of 0.49. Autonomy has the highest score at 3.89 with a standard deviation of 0.51, while competitive aggressiveness is the lowest at 3.55 with a standard deviation of 0.57, both of which are still seen as high. Altogether, the organization shows a high level of entrepreneurial orientation in terms of its creativity, proactivity, competitiveness, autonomy, and risk-taking.

Table 1

Level of Entrepreneurial Orientation

Indicator	SD	Mean	Descriptive Level
Innovativeness	.51	3.57	High
Proactiveness	.57	3.57	High
Competitive Aggressiveness	.57	3.55	High
Autonomy	.51	3.89	High
Risk-Taking	.54	3.66	High
<b>Overall</b>	<b>.49</b>	<b>3.65</b>	<b>High</b>

The findings indicate that small and medium enterprises in Davao Oriental have an entrepreneurial orientation that is characterized by high levels of innovativeness, proactiveness, competitive aggressiveness, autonomy and risk-taking. This implies that the business owners in this region are actively working to develop their businesses in an entrepreneurial manner. Furthermore, the particularly high level of autonomy indicates that the owners and managers of these businesses have a great deal of control over their operations. Their autonomous attitude is also demonstrated by giving employees the freedom and opportunities to contribute through their initiatives and inputs in identifying and selecting entrepreneurial opportunities. It can be said that they succeeded in encouraging the entrepreneurial spirit of their employees. Similarly, in terms of risk-taking, the level of entrepreneurial orientation is second to the first highest dimension, with a slight difference in figures but still falling on the same descriptive level, which is high. This is apparent in *emphasizes both exploration and experimentation for opportunities and encourages people in the business to take calculated risk with new ideas*. Correspondingly, in terms of innovativeness and proactiveness, the level of entrepreneurial orientation is also high. In other words, small and medium-sized business owners have been proactive in the current business atmosphere, coming up with creative solutions to identify and seize opportunities. They are prepared to compete with rivals, ready to utilize pricing strategies to gain an edge.

The results agree with the idea that entrepreneurial orientation involves a set of characteristics, which were first outlined by Danny Miller in 1983 and further developed by Covin and Slevin (1991).

### Firm Performance

Table 2 suggests that small and medium enterprises are performing well, with an average score of 3.45 across financial and non-financial measures. Non-financial measures have a slightly higher mean of 3.48, and a standard deviation of 0.50, while financial measures have a mean of 3.42 and a standard deviation of 0.48. These results demonstrate an overall high level of performance.

Table 2

Level of Firm Performance of Small and Medium Enterprises

Indicator	SD	Mean	Descriptive Level
Financial Measures	.48	3.42	High
<i>Profit</i>	.48	3.49	High
<i>Sales</i>	.55	3.40	High
<i>Cash Flow</i>	.54	3.35	Moderate
Non-Financial Measures	.50	3.48	High
<i>Customer Perspective</i>	.50	3.37	Moderate
<i>Internal Process Perspective</i>	.64	3.55	High
<i>Learning and Growth Perspective</i>	.53	3.53	High
<b>Overall</b>	<b>.47</b>	<b>3.45</b>	<b>High</b>

The findings showed that small and medium-sized companies had a strong performance when gauged with financial measurements such as profits, sales, and cash flow, as well as non-financial measurements including customer satisfaction, internal processes, and development and growth, though two indicators, namely cash flow and customer perspective, had a moderate descriptive level. In fact, a total of nine statements were used to calculate the financial performance of small and medium sized businesses in Davao Oriental and three highest mean scores are recorded by the statement of *“Our profit for this year is higher than last year”*, and *“Sales for the current period are higher than the last period”* followed by *“For this year, the actual cash income is higher than budgeted cash income”*. On the other hand, thirteen statements were used in terms of non-financial measures and three highest mean scores are recorded by the statement *“The organization takes into consideration as to material and labor efficiency”*, and *“The organization takes into consideration as to long-term relations with suppliers.”*, followed by *“The*

organization takes into consideration as to employee satisfaction." The result could imply that the business owners increasingly recovered from the downside of the early pandemic stage.

The research of Tawse and Tabesh (2022) supports the Balance Score Card (BSC) framework of Kaplan and Norton (1992). Their study, "Thirty years with the balanced scorecard: What we have learned", looks at the practical effect of the BSC and how it affects the performance of firms. The quantitative and qualitative data analyzed in the paper reveals that BSC adoption leads to desired outcomes for organizations and that it serves as a successful tool for measuring firm performance.

### Marketing Innovation

Table 3 shows the level of marketing innovation, with an overall mean of 3.27 and a standard deviation of 0.42, which can be classified as moderate. The product-space had a mean of 3.30 and a standard deviation of 0.46; process-space had a mean of 3.22 and a standard deviation of 0.49; and relationship-space had a mean of 3.29 and a standard deviation of 0.45.

Thus, the descriptive level of marketing innovation in terms of product-space, process-space and relationship-space is moderate which means marketing innovation is sometimes manifested in the firm.

Table 3

Level of Marketing Innovation of Small and Medium Enterprises

Indicator	SD	Mean	Descriptive Level
Product-Space	.46	3.30	Moderate
Process-Space	.49	3.22	Moderate
Relationship-Space	.45	3.29	Moderate
<b>Overall</b>	<b>.42</b>	<b>3.27</b>	Moderate

As shown, results revealed that the level of marketing innovation is moderate in terms of product-space, process-space and relationship-space. Though the result is at the moderate level, this could still imply that there was a successful implementation of marketing core processes. The level of marketing innovation in product space is moderate. Companies are focusing on improving existing products, rather than creating completely new products. This includes things like adding new features, improving existing features, and creating new product lines. Companies are also experimenting with new product categories, but overall, the level of innovation is not particularly high. Moreover, the level of marketing innovation in process space is also moderate. Companies are continuing to refine and improve their processes, but they are not making any major changes. This includes things like streamlining the sales process, improving customer service, and optimizing marketing campaigns. Finally, the level of marketing innovation in customer relationship space is also moderate.

Companies are experimenting with new ways to engage customers, but they are not taking any major risks. This includes things like using social media to communicate with customers, offering personalized services, and creating loyalty programs. Overall, the level of innovation is moderate.

The result on the level of marketing innovation supports Widjojo et al., (2020) who cited that the aim of marketing innovation is to improve customer satisfaction, redefine the company's product offering, and explore potential new markets. This is also evident with one of the suppositions of Karlsson and Tavassoli (2016) in their study entitled "Innovation Strategies of Firm: What Strategies and Why?" that the market innovation involves coming up with a new approach to marketing that involves changes to the product, pricing, packaging, and distribution. Furthermore, Medrano et al. (2020) study, "The Impact of Marketing Innovation on Companies' Environment," attests to the fact that people's habits are shifting, with millions of households being overturned, thus compelling businesses to persistently create marketing innovations to enhance customer satisfaction and remain competitive.

### Significance of the Relationship between EO and FP of SMEs

The results of the correlation test between the level of entrepreneurial orientation and firm performance are displayed in Table 4. The data indicated a strong positive relationship between the two variables, as demonstrated by the r-value of .846\* and a p-value of (0.000) which is lower than the 0.05 level of significance.

This demonstrates that the results of the study are highly reliable. Additionally, the significant association between entrepreneurial orientation in terms of innovativeness and firm performance had an r-value of .741\* and a p-value of (0.000) which is lower than the 0.05 threshold. Similarly, the level of entrepreneurial orientation in terms of proactiveness and firm performance had an overall r-value of .792\* and a p-value of (0.000) which is also lower than the .05 significance level.

In summary, the data shows a strong positive relationship between entrepreneurial orientation and the performance of small and medium enterprises. The correlation coefficient (r-value) for competitive aggressiveness is .799\* and for autonomy and risk-taking it is .700\* and .795\* respectively, with p-values below the .05 level of significance. This indicates that there is a significant influence of entrepreneurial orientation on the performance of small and medium enterprises.

Table 4

*Significance of the Relationship between Entrepreneurial Orientation and Firm Performance of Small and Medium Enterprises*

Entrepreneurial Orientation	Firm Performance		
	Financial	Non-Financial	Overall
Innovativeness	.733** (.000)	.675** (.000)	.741** (.000)
Proactiveness	.756** (.000)	.748** (.000)	.792** (.000)
Competitive Aggressiveness	.754** (.000)	.763** (.000)	.799** (.000)
Autonomy	.664** (.000)	.664** (.000)	.700** (.000)
Risk-Taking	.758** (.000)	.752** (.000)	.795** (.000)
<b>Overall</b>	<b>.810**</b> (.000)	<b>.796**</b> (.000)	<b>.846**</b> (.000)

\*Significant at 0.05 significance level.

The findings of the correlation test between entrepreneurial orientation and firm performance were in line with two research studies. M. G. Yildirim and H. S. Ergun (2018) found that SMEs in Turkey with a higher entrepreneurial orientation tended to have higher performance levels when data was collected from 800 SMEs. Likewise, B. K. Chacko and S. B. Chacko (2018) looked into the link between entrepreneurial orientation and firm performance in Indian SMEs and concluded that those with a higher entrepreneurial orientation had more successful performance outcomes with the aid of data from 1,199 SMEs.

### Significance of the Relationship between Entrepreneurial Orientation and Marketing Innovation

The findings from Table 5 demonstrate that there is a strong correlation between entrepreneurial orientation and marketing innovation, with an r-value of .575 and a p-value of (0.000). This indicates that the relationship between these two variables is statistically significant. Furthermore, it has been shown that the correlations between entrepreneurial orientation and innovativeness, competitive aggressiveness, autonomy, and risk-taking are all statistically significant, with an r-value of .578, .533, .428, and .512 respectively. All of these correlations have a p-value of .000, which is lower than the level of significance.

To summarize, the data suggests that the attributes of entrepreneurial orientation such as innovativeness, proactiveness, aggressiveness, autonomy, and risk-taking play a major role in the level of marketing innovation of small and medium enterprises. The strong correlation between the two variables is evident, as the r-value for each is greater than .05, with a p-value of (0.000).

Table 5

*Significant Relationship Between Entrepreneurial Orientation and Marketing Innovation of Small and Medium Enterprises*

Entrepreneurial Orientation	Marketing Innovation			Overall
	Product Space	Relationship	Overall	
Innovativeness	.471** (.000)	.542** (.000)	.554** (.000)	.578** (.000)
Proactiveness	.429** (.000)	.561** (.000)	.500** (.000)	.550** (.000)
Competitive Aggressiveness	.399** (.000)	.564** (.000)	.480** (.000)	.533** (.000)
Autonomy	.283** (.000)	.459** (.000)	.416** (.000)	.428** (.000)
Risk-Taking	.387** (.000)	.513** (.000)	.490** (.000)	.512** (.000)
<b>Overall</b>	<b>.435**</b> (.000)	<b>.583**</b> (.000)	<b>.839**</b> (.000)	<b>.575**</b> (.000)

\*Significant at 0.05 significance level.

The findings of Farr et al. (2017) confirm the strong correlation between entrepreneurial orientation and marketing innovation, and demonstrate that the digital environment has a moderating effect on this relationship. Their research supports the notion that having an entrepreneurial orientation can lead to increased marketing innovation within a digital environment.

The study of 500 small and medium-sized businesses in the UK revealed that there is a strong correlation between entrepreneurial orientation and marketing innovation. This research confirms that entrepreneurial orientation is essential for marketing innovation to take place in the digital age.

Thus, this study has found that there is an important connection between entrepreneurial orientation and marketing innovation which bolsters the hypothesis that entrepreneurial orientation focuses on utilizing a company's resources to identify and take advantage of new possibilities in the external environment.

This includes resources such as knowledge, networks, financial capital, and human capital, which can be utilized to identify and exploit opportunities for marketing innovation. Entrepreneurial orientation also emphasizes the importance of identifying and leveraging resources to develop and implement innovative marketing strategies. By doing so, firms are able to create a competitive advantage through the development of unique and valuable marketing strategies that other firms may not have access to.

#### **Significance of the Relationship between MI and FP of S MEs**

The results of Table 6 showed a strong positive relationship between the level of marketing innovation and the performance of small and medium businesses, with a correlation coefficient of .688 and a p-value of 0.000, which is well below the 0.05 level of significance.

This indicates that the relationship between the two is statistically significant. Furthermore, the correlation between marketing innovation in terms of product-space and firm performance was .529\* with a p-value of (0.000), while the correlation between marketing innovation in terms of process-space was .704\* with a p-value of (0.000). Both correlations are statistically significant with a confidence level of p value of 0.05 level of significance.

To sum up, a significant connection between marketing creativity in terms of relationship-space and the success of small and medium businesses was confirmed with an r-value of 0.631 and a p-value of 0.000, which is below the 0.05 level of importance.

Table 6

*Significant Relationship Between Marketing Innovation and Firm Performance of Small and Medium Enterprise*

Marketing Innovation	Firm Performance		
	Financial	Non-Financial	Overall
Product-Space	.459** (.000)	.544** (.000)	.529** (.000)
Process-Space	.644** (.000)	.691** (.000)	.704** (.000)
Relationship-Space	.555** (.000)	.643** (.000)	.631** (.000)
<b>Overall</b>	<b>.613**</b> (.000)	<b>.693**</b> (.000)	<b>.688**</b> (.000)

The test of correlation is evident from the findings of multiple studies that have revealed a significant positive correlation between marketing innovation and firm performance of small and medium-sized enterprises (SMEs). A study conducted by Zeng and Li (2018) found that marketing innovation has a positive effect on the performance of SMEs and Ferreira and Matos (2019) found that SMEs that had implemented innovative marketing strategies had higher sales growth compared to those that had not, and that the effect of marketing innovation is greater for SMEs with a higher level of digital capabilities.

Again, the result supports the underlying theory of this study. This theory suggests that the success of a firm depends on its ability to acquire, develop, protect, and use resources that are valuable, unique, hard to imitate, and irreplaceable (Barney, 1991). This theory can be used to explain why marketing innovation is important for the performance of small and medium enterprises. According to the RBV, the ability of a firm to develop and use marketing innovations is a valuable resource that is rare, difficult to imitate, and non-substitutable. This means that firms that are able to develop and use marketing innovations effectively will have a competitive advantage, which will lead to better performance.

### Mediating Role of Marketing Innovation on the Relationship between Entrepreneurial Orientation and Firm Performance

Table 7 demonstrates that marketing innovation is a factor that mediates the relationship between entrepreneurial orientation and firm performance of small and medium enterprises. Paths a and b, which are the direct effects, illustrate this. Baron and Kenny's (1986) regression coefficient for the indirect effect reveals how the change in Y (firm performance) is associated with each unit change in X (entrepreneurial orientation) that is mediated by M (marketing innovation). To put it simply, the effect of entrepreneurial orientation on firm performance is determined by marketing innovation.

Once the indirect effect for the regression coefficient has been determined, it must be tested for statistical significance or a confidence interval must be calculated. If none of the relationships are proven to be significant, then it cannot be confirmed that mediation has occurred. If all relationships are significant, such as entrepreneurial orientation (X) leading to both marketing innovation (M) and firm performance (Y), then, this finding supports partial mediation (Fairchild, & Fritz, 2007).

Table 7

*Mediating Role of Marketing Innovation on the Relationship Between Entrepreneurial Orientation and Firm Performance (Partial Mediation)*

PATH	Estimate	S.E.	C.R.	P	Label
MARKETINV <--- ENTREPOR	.494	.037	13.254	.000	par_2
FINPERF <--- ENTREPOR	.637	.029	21.928	.000	par_1
FINPERF <--- MARKETINV	.332	.034	9.838	.000	par_3

The correlation between entrepreneurial orientation and marketing innovation is significant, as evidenced by the estimate value of .494, the specification error value of .037, the critical ratio of 13.254 and a p-value of .000. Similarly, the relationship between entrepreneurial orientation and firm performance is significant, with an estimate of .637, a specification error of .029 and a critical ratio of 21.928 and a p-value of .000. Additionally, an estimate value of .332, a specification error of .034, a critical ratio of 9.838 and a p-value of .000.

Since significant relationships are shown in Steps 1 through 3, Step 4 follows. In Step 4, the mediation is supported if the effect of M (path b) remains significant after controlling for X. Both X and M both significantly predict Y, therefore, the result supports partial mediation. This means that the results reject the null hypothesis. This is illustrated in detail in the figure below.

#### ACKNOWLEDGEMENT

We thank all of the individuals who provided feedback and assistance throughout the research process. We thank the Graduate School of Business Administration, University of Mindanao, Philippines for assistance and for comments that greatly improved the manuscript. We are expressing our gratitude to our families for being an immense source of encouragement and support throughout our academic life. Above all, to God.

#### CONCLUSION

The study revealed that SMEs in Davao Oriental displayed a strong entrepreneurial attitude and achieved good business results, as well as a moderate amount of marketing creativity. However, the numbers were actually closer to the lower end of the scale. This implies that SMEs in Davao Oriental are not adequately prepared to contend in a competitive business landscape, which could result in the closure and downsizing of businesses. Consequently, it is suggested that the following recommendations may be taken:

SMEs owners should continue to foster an entrepreneurial mindset by embracing risk-taking, innovating and seeking out opportunities to grow their businesses. Additionally, they should focus on developing their skills in areas such as communication, networking and marketing. Finally, they should strive to build a culture of collaboration and create an environment that encourages the exchange of ideas and the sharing of resources. By doing so, SMEs owners can maximize the potential of their businesses and help ensure their success.

SMEs owners is high in terms of financial and non-financial performance. However, the level of cash flow and customer perspective is moderate. In light of this, it is recommended that SMEs owners should focus on strengthening their cash flow and customer relations. This can be achieved by creating and implementing effective cash flow management strategies, as well as building better relationships with customers. Additionally, SMEs should also look at leveraging technology and digital tools to increase their customer base and market share, and to improve their overall performance. By doing so, SMEs will be able to increase their profits and gain competitive advantage in their respective markets.

SMEs owners should focus on product innovation, process innovation and relationship innovation in order to increase their competitive advantage. Further, they should also consider using digital marketing tools such as social media, email marketing, and search engine optimization to maximize their reach. Moreover, SMEs owners must have a clear understanding of their target market and develop strategies accordingly. Lastly, they should invest in research and development to keep their business up-to-date with the latest trends and technologies. By implementing these recommendations, SMEs owners can ensure that their business remains competitive and relevant in the market.

Moreover, government: may support SMEs with programs and initiatives that foster entrepreneurial practices. Create an environment that encourages innovation and creativity in SMEs. Provide incentives and subsidies to SMEs to encourage risk-taking and experimentation. Support SMEs with educational and training opportunities to help them develop their entrepreneurial orientations. Provide access to capital for SMEs to help them grow and take on risks.

Furthermore, Government assistance for SMEs with signal and internet connection can come in many forms. One option is providing grants or subsidies to help cover the cost of a better signal or internet connection. In addition, the government can provide technical advice and support to help SMEs make the most of their signal and internet capabilities. Finally, the government can provide training and information to help SMEs understand the latest developments in signal and internet technology and how to best use

them. By taking these steps, SMEs can have better, faster and more reliable signal and internet connection, allowing them to operate more efficiently and effectively.

Finally, future researchers may focus on exploring the study in other countries and regions. They should also explore the role of other factors such as resources and capabilities.

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