

SME Success Blueprint: Investigating the Influence of Competitive Advantage on Sustainability of Firm Performance

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Abstract

This research examined the critical interplay between competitive advantage and the sustainability of firm performance in Small and Medium Enterprises (SMEs) of Oromia Regional State, Ethiopia. The study adopted a mixed-methods approach, incorporating both primary and secondary data sources, and employed a descriptive and explanatory research design. A self-administered Likert-scale questionnaire was employed to collect data from the targeted respondents. Stratified and simple random sampling techniques, coupled with Daniel Soper's sample size calculation formula, were utilized to gather data from 387 employees of SMEs, setting the foundation for a robust analysis. The core objective of this research was to investigate the relationship between competitive advantage and the sustainability of firm performance within the SME sector. The findings, derived through structural equation modeling, indicated a positive correlation between competitive advantage and the sustainability of firm performance. In light of the dynamic business environment, the results underscored the pivotal role of cultivating and enhancing competitive advantage for SMEs striving to achieve sustainability. As the global business landscape continues to evolve, SMEs in Oromia Regional State are expected to be encouraged to focus on strategically developing and leveraging competitive advantages. This research contributes valuable insights that could guide SME leaders or owners, policymakers, and stakeholders in making informed decisions to foster sustainability and resilience in dynamic market conditions. Ultimately, the study advocated for a proactive approach to cultivating competitive advantage as a cornerstone for the enduring success of SMEs in Oromia and beyond.

Key Words: Small and Medium Enterprises, Competitive Advantage, Sustainability of Firm Performance

Introduction

In today's dynamic and competitive business environment, the firm should be able to satisfy the customers and deliver more value to win the competition by providing innovative products with high-quality services at competitive prices. An important key to winning competition is providing more value and satisfaction to the company's customers through standardized products and providing quality services at competitive prices. Besides this, it has been explained that the sustainability of a business is attained through competitive

advantage; by which upon the formulation of business ways, it's necessary to make value to customers. Such values could also be within the side of cost leadership that presents products and services to customers at acceptable prices, the side of differentiation of products and services, or the side of higher responsiveness to client wants within the niche market than competitors within the same trade (Potjanajaruwit, 2018).

To deliver additional value for customers than competitors with equivalent markets, corporations should perceive customers and develop robust relationships with customers. That additionally offered value is known as a competitive advantage where firms could have an advantage over their competitors (Hidayatullah et al., 2019).

Sinaga & Gallena (2018) explicitly that competitive advantage is an enterprise's capability to perform in a technique or many ways that competitors notice are tough to imitate currently and in the future. In alternative words, products created or services rendered can't be imitated by whomever enterpriser, and the enterprise should also undertake competitive intelligence to understand its competitors as well as customers. It has also stated that enterprise with services delivered below customer expectations faces competitive losses, wherever customers can switch and look for other alternatives. If the enterprise needs to urge a competitive advantage, the venture should be higher than the expectations of customers. Smart service will increase customers' loyalty to the purpose wherever customers can survive and not check up on different choices from alternative ventures (Hidayatullah et al., 2019).

Competitive advantage, specifically through cost leadership, differentiation, and focus strategies, plays a crucial role in enhancing the sustainability of Small and Medium Enterprises (SMEs) performance in developing countries. Cost leadership, as outlined by Porter (1985), allows SMEs to achieve a competitive edge by becoming the lowest-cost producer in the industry. This is particularly advantageous in developing countries where price sensitivity is often high. By minimizing production costs through economies of scale, efficient processes, and resource optimization, SMEs can offer competitive pricing, attract a larger customer base, and ensure sustained profitability (Lockett, 2008).

On the other hand, differentiation, as discussed by Porter (1985), involves offering unique and superior products or services that customers value. In developing countries, where markets are often characterized by diverse consumer preferences, differentiation allows SMEs to meet specific needs and stand out from competitors. This uniqueness can lead to brand loyalty and premium pricing, contributing to long-term sustainability (Barney, 1991).

Furthermore, focus strategy, as part of Porter's generic strategies (1980), involves targeting a specific market segment or niche. In developing countries with diverse markets and varied consumer needs, focusing on a particular segment enables SMEs to tailor their offerings effectively. This targeted approach enhances customer satisfaction, fosters brand loyalty, and ensures sustained performance by catering to a specific market niche (Grant, 2016).

In general, cost leadership, differentiation, and focus strategies positively influence the sustainability of SMEs in developing countries. Cost leadership allows SMEs to compete on price, differentiation enables them to offer unique products or services, and focus strategy helps them effectively target specific market segments. By adopting and implementing these strategies, SMEs in developing countries can enhance their competitiveness, ensure long-term performance, and contribute to the economic development of their respective regions.

Entrepreneurship and innovation within the SME sector have also been the focus of scholarly inquiry. Research in this area examines how Ethiopian SMEs can leverage innovation to enhance competitiveness in both local and global markets (Admassie & Amha, 2019). These studies shed light on the potential for technological advancements and creativity to drive the growth of SMEs in the country. Moreover, the role of government policies and support mechanisms has been a subject of investigation. Studies have assessed the effectiveness of various government initiatives aimed at promoting SMEs, including financial assistance programs, training, and capacity-building efforts (Fufa, 2017).

Therefore, research on SMEs in developing countries like Ethiopia has provided valuable insights into their contributions to economic development, the challenges they face, and the role of innovation and government support. Understanding these dynamics is crucial for designing policies that foster the sustainable growth of SMEs in the context of developing economies.

This study aimed to comprehensively analyze the relationship between competitive advantage dimensions (cost leadership, differentiation, and focus strategy) and sustainability factors (social, economic, and environmental) within Small and Medium-sized Enterprises (SMEs). The research seeks to provide valuable insights for strategic decision-making, resource allocation, and market positioning. Understanding this interplay aids SMEs in adapting to market dynamics, mitigating risks, ensuring long-term viability, fostering innovation, and enhancing overall success and resilience in a dynamic and competitive business environment.

Literature

Marketing is a significant challenge faced by SMEs, yet it is also a vital business activity for survival and growth. In SMEs, the key principles of marketing are only sometimes applicable. The fact that many SME stakeholders could be more enthusiastic about the Literature idea is not surprising. (Porter, 1985) suggested three generic methods that firms might use to obtain a competitive advantage, which are divided into two categories: strategic scope and strategic strength. Strategic scope is a demand-side dimension that looks at the dimensions and composition of the market you want to target (Porter was originally an engineer and then a social scientist before specializing in strategy). Strategic strength is a supply-side component that examines the firm's strength or core expertise.

Theoretical Evidence

The Resource-Based View (RBV) theory asserts a favorable correlation between competitive advantage and the enduring performance of a firm, underscoring the importance of the firm's distinctive and valuable resources and capabilities. As articulated by Barney (1991), the sustainability of a competitive advantage necessitates that the firm's resources meet the criteria of being rare, valuable, non-substitutable, and challenging to replicate. This theoretical framework posits that SMEs possessing such unique resources are strategically positioned for long-term success and surpassing competitors. The enduring competitive advantage, as proposed by Peteraf (1993), equips firms to respond to dynamic market conditions adeptly, navigate uncertainties in the business environment, and consistently manifest superior performance over an extended period. Consequently, the RBV provides a theoretical underpinning for comprehending how internal resources contribute to competitive advantage, thereby influencing the sustained performance of SMEs (Barney, 1991; Peteraf, 1993). This leads to the hypothesis development that *Competitive advantage has a significant relationship with the sustainability of firm performance in SMEs.*

Empirical Evidence

Competitive Advantage's Dimensions: Cost Leadership Strategy

Similarly, a more recent empirical investigation by Smith and Jones (2018) focused on the retail sector, revealing that companies employing cost leadership strategies consistently demonstrated lower production costs and offered products or services at more competitive prices. This study highlighted the positive

correlation between cost leadership and financial performance in a specific industry context. Chen et al. (2015) explored the relationship between cost leadership and firm performance in the manufacturing sector. Their findings suggested that firms emphasizing cost efficiency through technological advancements and process optimization experienced enhanced financial outcomes, affirming the benefits of cost leadership strategies in a production-oriented setting.

Additionally, research by Kim and Lee (2020) delved into the global context, examining the impact of cost leadership on multinational corporations. The study found that companies successfully implementing cost leadership across diverse markets gained a competitive edge by adapting their strategies to local conditions while maintaining cost advantages.

In cost leadership, a company focuses on becoming the industry's lowest-cost producer. The causes of cost advantage are numerous and depend on the industry's structure. They will push for economies of scale, proprietary technology, preferential access to raw materials, and alternative considerations. All sources of cost advantage should be noticed and used by a company with cost leadership.

Differentiation Strategy

Empirical studies conducted by Kim and Mauborgne (2005) provide evidence that firms employing a differentiation strategy tend to outperform their competitors by commanding premium prices and attracting a loyal customer base. In a study by Miller (1988), empirical findings revealed that differentiation contributes to enhanced brand perception, which, in turn, positively influences consumer choice. The study conducted by Chen and Miller (2011) further supports this, emphasizing that differentiation is not only about product features but also about creating a distinctive brand image.

Furthermore, a study by Barney (1991) highlights the role of resources and capabilities in achieving sustained differentiation. The empirical evidence suggests that firms with unique and valuable resources are better positioned to implement and sustain a differentiation strategy over time. In the context of the technology industry, Wang and Li (2008) found that product innovation and technological advancements are significant drivers of differentiation. Their empirical research indicated that firms investing in research and development to create innovative products are more likely to achieve product differentiation and gain a competitive edge. Differentiation is aimed at a broad market and entails the creation of a product or service that is viewed as unique within the company. The company or business unit might then demand a higher price for its goods. This area of expertise will include design, overall image, technology, features, dealers, network, or customer service. Differentiation could be a realistic technique for generating above-average returns in a very specialized industry because the resulting brand loyalty reduces customers' price sensitivity.

Focus Strategy

Moreover, a study conducted by Anderson and Zeithaml (1984) provides empirical evidence demonstrating that firms implementing a focus strategy often experience cost advantages due to their specialized knowledge and efficient operations within a niche market. This efficiency contributes to improved overall performance, particularly in comparison to firms employing a broad differentiation or cost leadership strategy.

Additionally, the research of Miles and Snow (1978) supports the notion that a focus strategy enhances a firm's adaptability to changes in the external environment. By concentrating on a specific market segment, companies can develop a nimble and responsive organizational structure, allowing them to adapt to evolving market trends and customer preferences swiftly. There are two versions of the main focus strategy. First, a company with a cost emphasis seeks a pricing edge in its target market. Second, differentiation focus refers to a company's desire to stand out in its target market. Both varieties of the main focus method are based on

differences between a focuser's target section and distinct trade segments. Consumers with unusual desires should be targeted, or the assembly and distribution system that best suits the target segment should be distinct from that of other industry segments (Tanwar, 2013).

Marketing is a major challenge faced by SMEs, yet it is also a vital business activity for survival and growth. In SMEs, the key principles of marketing are not universally applicable. The fact that many SME stakeholders are not enthusiastic about marketing ideas is not surprising. In SMEs, marketing activity is considered less important than other business activities. Although marketing and entrepreneurial competence may seem to be non-essential to SMEs, studies show that they are crucial to their survival and growth. Marketing and entrepreneurship scholars have developed a keen interest in marketing for entrepreneurs, or entrepreneurship for marketing (C. Nwankwo & Kanyangale, 2020).

Before the mid-1980s, conventional marketing, entrepreneurship, and small business marketing were understood as different types of management processes. Since the same period, owner-managers of SMEs have been improving their trust in concepts of entrepreneurship, innovation management, and small business management. Therefore, researchers merged the concepts of conventional marketing, entrepreneurship, and small business marketing to create a new marketing threshold (K.H.M.A.R, 2020).

As per the studies, apart from one percent, most businesses around the globe are included under SMEs. This matches with the point of view that SMEs support countries in building economies contribute to the expansion of the economy and also supply jobs, and build wealth and capital. Since SMEs typically lack resources, human capital, and access to global markets they often run their business differently. Even though they are still vulnerable, the present century has progressed in developing countries (Sodhi & John, 2021).

Small and medium enterprises (SMEs) are the engines of growth and stepping stones to industrialization in developing and developed economies. In developing countries, SMEs account for 99 percent of the total economic contribution, indicating their importance. SMEs represent 52 percent of the private workforce and 51 percent of the GDP in the United States (USA), while in the United Kingdom (UK), SMEs contribute 62 percent of GDP and 25 percent of employment. 79 percent of Italian sales are generated by SMEs, like in the USA and UK (Muriithi, 2017).

Some research conducted on SMEs in Africa concluded that more SMEs are closing than expanding, with approximately 1 percent of micro-enterprises growing from five to ten employees. SME creation and economic growth are critically significant for developing countries with high unemployment rates (Yolande Smit, 2012). In the context of SMEs, entrepreneurship has become a prevalent term. Local governments are concerned with increasing the rates of enterprise creation to create jobs and raise incomes. Stimulating entrepreneurship and efforts to attract foreign investment is one of the two pillars of most local and regional development strategies (Duarte, 2020).

Robust stress on service differentiation has been found to steer to a better quality of service. However, for the foremost half, customers are not unaware of the true price of production for the product they purchase. Instead, they merely have an enclosed feeling for a lot of sure product area unit price. This customer's perceived price of an honest service ultimately affects the value that he or she is willing to obtain. From the preceding, it is sensible to mention that competitive advantage could be a developed strategy adopted by a firm to supply further superior prices that may most satisfy client desires, which can, in turn, provide the firm a footing over alternative competitors (Nijssen, 2021).

Sustainable business requires a holistic and systematic approach, strategic future-focused research, technology development, and innovation. To succeed in a complicated and fast-changing business environment, you must act at numerous levels, from business to network to political governance. Developing new ways of effectively doing work, implementing innovation, and meeting customer requirements simultaneously with social and ecological sustainability are critical factors for all organizations (Tshiaba et al., 2021).

Sustainability of firms: Triple Bottom Line Approach

Sustainability Often referred to as the three 'Ps' of People, Planet, and Profits, John Elkington's (1997) Triple Bottom Line (TBL) concept consists of three components that are necessary to underpin a sustainable business. These components include environmental, social, and economic sustainability. Slaper and Hall (2011) describe this notion as a "triple bottom line." However, although many of these components are related to the SDGs discussed earlier, they are frequently the first step organizations take as a focus that extends beyond the activities strictly tied to their businesses. Following this, each of the three pillars will be discussed.

The goal of economic development is to improve people's well-being and quality of life through the creation of jobs and wealth. The process of economic development involves the creation, expansion, retention, and recruitment of jobs and businesses using a variety of strategies. Triple bottom line and sustainable economic development both understand this goal. These strategies include, for instance, providing assistance to businesses, cultivating workforce development programs, and cultivating networks, infrastructure, and amenities that promote the development of businesses and impact location decisions. In addition, it recognizes that economic growth is intricately linked to environmental and social issues and that all three of these elements need to be addressed for economic development to be successful (Hammer & Pivo, 2017). This adds to the traditional notion that economic development is closely linked to environmental and social factors.

Economic Measures

In economics, a variable is considered to be economic if it relates in some way to the bottom line or the flow of money. It could consider income or expenditures, taxes, business climate considerations, employment factors, and business diversity factors. The TBL framework's economic line describes an organization's operational procedures' influence on the overall economy (Elkington, 1997). According to Spangenberg (2005), it refers to the capacity of the economy, one of the subsystems of sustainability, to continue existing and evolving into the future to provide for subsequent generations of people. The economic line establishes a connection between the organization's expansion and the economy's expansion and how well the organization contributes to the economy's support. In other words, it emphasizes the economic value that the organization contributes to the system that it operates in a manner that contributes to its growth and enhances its capacity to provide for future generations.

Social Measures

According to Conway (2018), social variables assess aspects of a community's or region's social life, such as education, equity and access to social services, health and well-being, quality of life, and social capital. Social variables can be used to describe the social dimensions of a community or region. Neglecting social responsibility can affect a company's profitability and capacity to remain in operation, in addition to the ethical considerations involved in being "good" to the community. Recent examples from several companies have shown that disregarding social responsibility can result in financial implications. These costs can be significant. For example, the general public in the Bay area of California voted against developing a Home Depot in 2002 due to their impression of the store's negative residential impact as a neighbor (Dhiman, 2008). This was because of the public's opinion of the store's impact on the neighborhood. According to Alhaddi (2015), social performance focuses on the relationship between the organization and the community, and it covers issues connected to community involvement, employee relations, and fair compensation.

Environmental Measures

The wants of people living in developing economies, such as those in sub-Saharan Africa and some areas of Asia, to 'consume' more things will continue to expand exponentially as their economies and populations continue to develop. Although it is morally commendable to work towards a higher standard of living for people worldwide, doing so is unlikely to have a positive influence that can be maintained over time. This is especially true when first-world economies anticipate an increase in consumerism, economic wealth, and prosperity. The environmental variables should represent measures of natural resources and reflect potential implications on the sustainability of those resources. According to Conway (2018), it could include the quality of the air and water as well as the use of energy, natural resources, solid and toxic waste, land use, and land cover.

Literature gaps

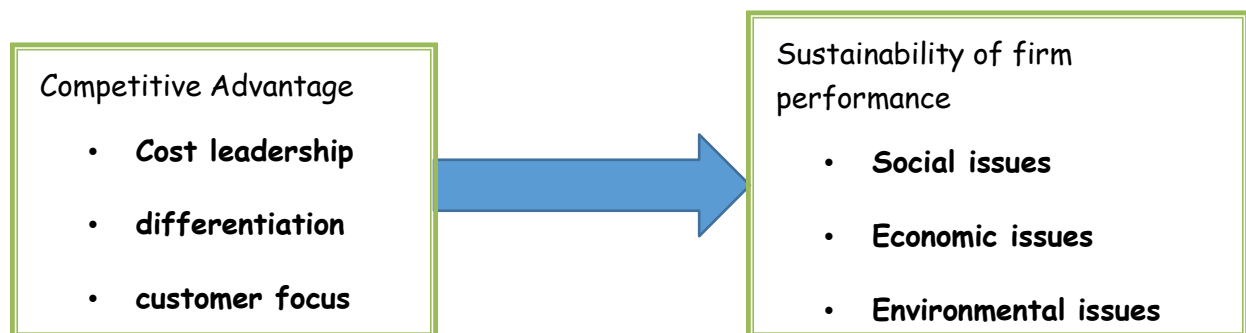
literature on competitive advantage and sustainability in small and medium-sized enterprises (SMEs), particularly in developing countries like Ethiopia, is notably sparse. Jones and Tilley (2003) and Daramola et al. (2014) highlight the scarcity of research specifically focusing on competitive advantage within SMEs, especially within the context of developing nations. Similarly, Schaltegger, Lüdeke-Freund, and Hansen (2012) and Saeed et al. (2015) underscore the limited attention given to sustainability in SMEs, particularly in developing countries. Despite the pivotal role SMEs play in driving economic growth and development, as emphasized by Asmamaw and Lagesse (2018), and the urgent need to address the challenges they face, as argued by Fatoki and Smit (2011), empirical studies addressing these crucial aspects in the Ethiopian context remain lacking. Thus, there is a pressing need for further research to explore the relationship between competitive advantage, and sustainability of firm performance in SMEs in Ethiopia and similar developing country contexts, ultimately providing valuable insights for policymakers, practitioners, and entrepreneurs aiming to enhance SME resilience and contribution to economic development.

Hypothesis

H1: Competitive advantage has a significant relationship with the sustainability of firm performance in SMEs

Conceptual framework

Fig. 1. Conceptual research model



Source: Researchers' compilation.

Methods and Materials

This research, conducted in the West Shoa zone of the Oromia region, Ethiopia, employed a descriptive and explanatory design to investigate the connection between competitive advantage and sustainability in Small and Medium-sized Enterprises (SMEs). Encompassing sectors such as services, manufacturing, construction, and merchandising in districts like Ambo and Tokekutaye, the study utilized Daniel Soper's formula to determine a sample size of 413 for structural equation modeling. Proportional stratified sampling across sectors resulted in a 93.7% valid response rate from 398 returned questionnaires, providing valuable insights into the SMEs' performance dynamics.

Results and Discussions

Demographic factors

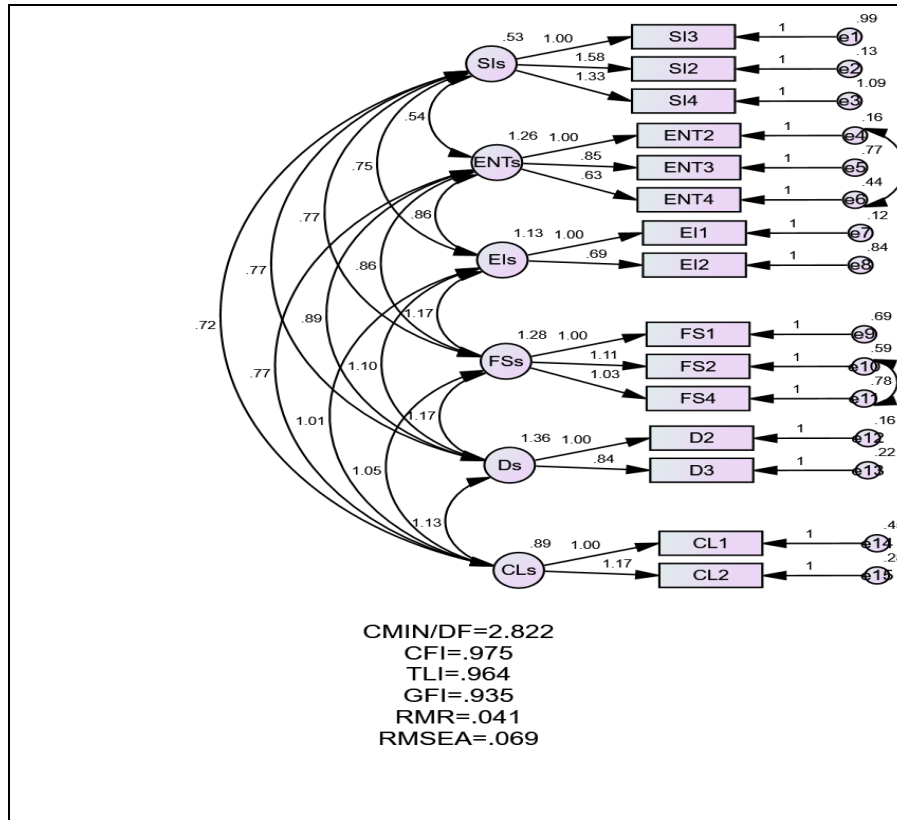
Examining the survey data across various demographic factors, the age distribution reveals that most respondents (47.8%) fall within the 31–40-year-old category, with only 3.1% above 40 years old. Shifting the focus to gender, most participants (51.9%) are males, suggesting a distinct male predominance in SMEs within the surveyed areas and relatively lower female involvement. Moving on to educational background, the study indicates that the majority hold TVET/Diploma qualifications (45.5%), followed by those with a degree or higher (33.3%). Conversely, the smallest segment (21.2%) has education levels below grade 12. Examining marital status, 71.1% of respondents reported being married, while 28.7% were single.

Concerning monthly income, a notable proportion of SMEs (38.5%) reported earnings between 5001 and 10,000 Birr, with the smallest percentage (17.3%) earning below 2000 Birr. Shifting the focus to the initial capital of SMEs, the majority (34.4%) started with capital below 10,000 Birr, while the fewest respondents (5.4%) initiated their businesses with capital ranging from 30,000 to 50,000 Birr. Regarding work experience, a significant portion of SMEs (41.6%) reported having 2-5 years of experience. Transitioning to the number of employees, the majority (62%) have between 5 and 10 employees. Finally, examining the types of SMEs, it was found that most are involved in merchandising (48.1%), while the smallest proportion (13.2%) are engaged in manufacturing.

Measurement Model: Confirmatory factor analysis

Structural Equation modeling was applied to analyze the collected data from the targeted respondents. Accordingly, Confirmatory Factor Analysis (CFA) was analyzed through AMOS SPSS to test the measurement models. In computing this Model, some of the items have been removed due to their low factor loadings (less than 0.5), and those having factors loading greater than and equal to 0.5 were accepted and used for the analysis. For the Model fit measures, CMIN/df, GFI, CFI, TLI, RMR, and RMSEA were used to assess the goodness of the model fit. Accordingly, all values fell under the given acceptance level (Bollen, 1989; Bentler, 1990; Tucker & Lewis, 1973; Jöreskog & Sörbom, 2001). The results were indicated in **Table 1** below as CMIN/df = 2.82, GFI = 0.935, CFI = 0.975, TLI = .964, RMR = 0.041, and RMSEA = 0.069.

The measurement model is shown in Fig.2 below:



Source: Survey, 2023

Table 1: Confirmatory factor analysis model fit indices

Fit indices	Recommended vale	Obtained value
CMIN/DF	3-5	2.822
CFI	> 0.9	0.975
TLI	> 0.9	0.964
GFI	> 0.9	0.935
RMR	< 0.08	0.041
RMSEA	< 0.08	0.06

Source: Authors' compilation

Construct Reliability

In assessing construct reliability, Composite Reliability, Cronbach's Alpha, and Average Variance Extracted (AVE) were employed. Desirably, values above 0.70 are sought for construct reliability, with AVE values equal to or greater than 0.5 being acceptable (Fornell & Larcker, 1981). *See Table 2.*

Table 2: Construct reliability

Items	Cronbach's alpha	Composite reliability
Cost leadership	0.847	0.727
Differentiation	0.917	0.922
Focus strategy	0.868	0.858
Social issues	0.798	0.768
Economic issues	0.749	0.775
Environmental issues	0.800	0.846

Source: Survey, 2023

Convergent Validity

Convergent validity was evaluated using the Average Variance Extracted (AVE), which indicates the average amount of variance captured by the items in a construct. AVE values equal to or greater than 0.5 are generally considered acceptable (Fornell & Larcker, 1981). *See Table 3.*

Table 3: Convergent validity

Construct	AVE
Cost leadership	0.583
Differentiation	0.856
Focus strategy	0.669
Social issues	0.529
Economic issues	0.640
Environmental issues	0.649

Source: Survey, 2023

Discriminant Validity

Discriminant validity, a crucial aspect of measurement validation, ensures that constructs in a study are distinct from one another. It aims to demonstrate that measures of different constructs are not highly correlated, indicating that they are indeed measuring separate concepts rather than being different manifestations of the same underlying construct. The study employed the Heterotrait-Monotrait Ratio (HTMT), which is another method for evaluating discriminant validity. The HTMT compares the average correlations between items measuring different constructs (heterotrait) to the average correlations between items measuring the same construct (monotrait). A threshold of less than 0.85 is recommended for the HTMT ratio to indicate adequate discriminant validity, ensuring that the correlations between items measuring different constructs are significantly lower than those measuring the same construct. *See Table 4.*

Table 4: Discriminant Validity using Hetrotrait-Monotrait (HTMT) Ratio

	AVE	CL	D	FS	SI	EI	ENT
CL	0.583		0.84	0.65	0.66	0.64	0.60
D	0.856			0.838551487	0.83687018	0.807795339	0.683726868
FS	0.669				0.70816434	0.690588235	0.585472662
SI	0.529					0.69640421	0.528653698
EI	0.640						0.629425898
ENT	0.649						

Source: Survey, 2023

Structural model: The relationship between CA and SFP

A structural equation model was the second model that should be assessed using AMOS SPSS to test the effects of Competitive Advantage on the Sustainability of firm performance in SMEs. All model fit measurements have been assessed and their results also showed good model fit as all their values were in the range of Accepted level. *Table 5*, below revealed that the fit indices for the model were under the accepted level (Bollen, 1989, Bentler, 1990, Tucker & Lewis, 1973, Jöreskog & Sörbom, 2001) with CMIN/df = 3- 5, the goodness-of-fit (GFI) = 0.90, TLI = .90, CFI = .90, SRMR = 0.08, and RMSEA = 0.08.

Table 5: Structural model fit indices

Fit indices	Recommended vale	Obtained value
CMIN/DF	3-5	3.76
CFI	> 0.9	0.958
TLI	> 0.9	0.946
GFI	> 0.9	0.905
RMR	< 0.08	0.051
RMSEA	< 0.08	0.085

Source: Authors' compilation

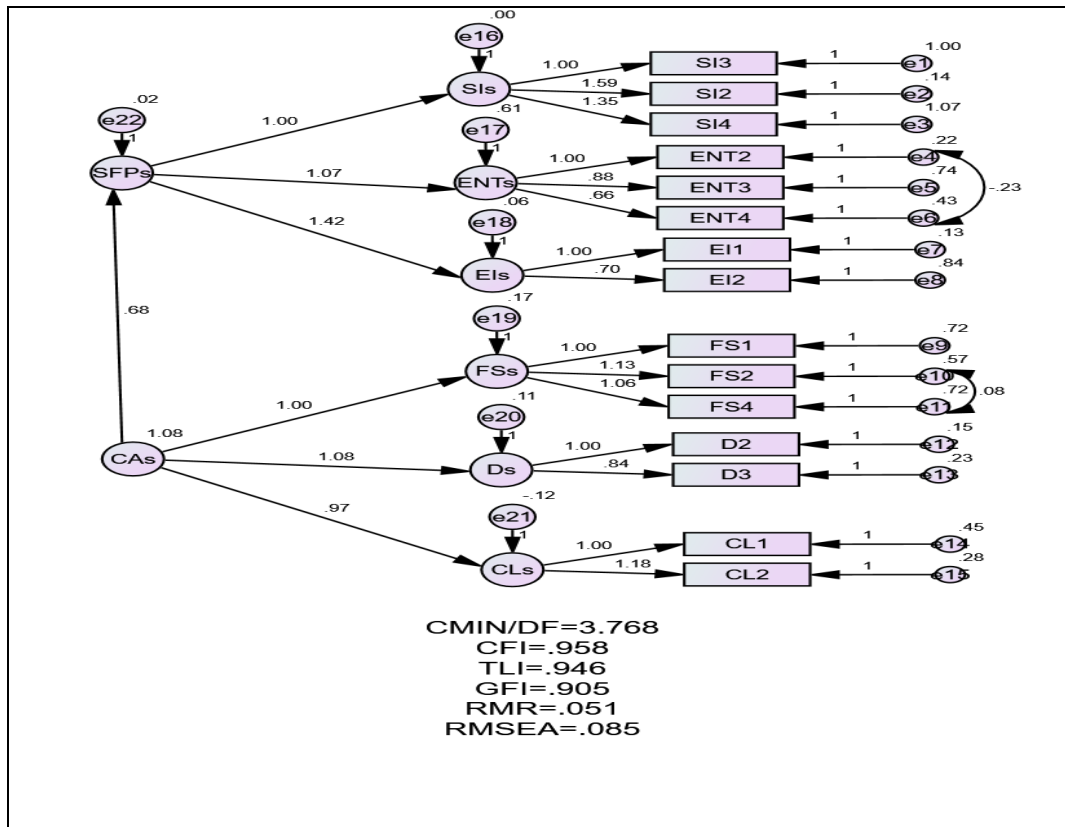
The study assessed the effect of Competitive Advantage on the sustainability of firm performance in SMEs. Therefore, the effect of Competitive advantage on the Sustainability of Firm Performance was positive and significant (b= 0.682, with t = 11.623, p < 0.001). Therefore, the hypothesis has been supported as per the study results indicated in *Table 6* below:

Table 6: Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P
SFP	<---	CA	.682	.059	11.623	***
SI	<---	SFP	1.000			
ENT	<---	SFP	1.067	.099	10.819	***
EI	<---	SFP	1.422	.106	13.387	***
FS	<---	CA	1.000			
D	<---	CA	1.077	.056	19.099	***
CL	<---	CA	.966	.054	17.935	***

Source: Survey, 2023

Fig.3. Structural model indicating the relationship between Competitive Advantage (CA) and Sustainability of Firm Performance (SFP).



Source: Survey, 2023

Summary of findings

The study in Oromia Regional State, Ethiopia, examined the impact of Competitive Advantage on the sustainability of small and medium enterprises (SMEs). Results revealed a positive and significant relationship between Competitive Advantage and firm performance sustainability, supporting the acceptance of the alternative hypothesis. Cost leadership emerged as the primary focus for gaining competitive advantage, followed by differentiation and focus strategy. Aligning with previous research, Potjanjaruwit (2018) and Sinaga & Gallena (2018) also highlighted the direct positive effect of competitive advantage on startup and overall firm performance, emphasizing its crucial role in navigating the competitive business landscape.

Conclusions and Recommendations

The relationship between competitive advantage and the sustainability of firm performance is a crucial aspect of business strategy. As the results indicated, it can be concluded that all the dimensions of competitive advantage are essential for SMEs, and building competitive advantage helps a firm sustain itself in a competitive business environment. *The following recommendations have been given based on the findings of the study:*

Diversifying competitive advantages is essential for small and medium enterprises (SMEs). It's crucial to acknowledge the significance of various dimensions of competitive advantage, such as cost leadership, differentiation, innovation, and customer focus. SMEs should avoid relying solely on one aspect and instead diversify across these areas.

Fostering a culture of continuous innovation is vital. This entails investing in research and development, staying abreast of industry trends, and encouraging employees to generate creative solutions. Continuous innovation is critical to maintaining a competitive edge.

Emphasizing cost efficiency and operational excellence is critical for SMEs, particularly those operating in price-sensitive markets. Focus on effective cost management and operational processes that enhance productivity without compromising quality.

Building strong customer relationships is a cornerstone of sustainable competitive advantage. Understanding customer needs and preferences and tailoring products or services accordingly can lead to repeat business and positive word-of-mouth.

Adaptability and flexibility are crucial in the face of changing business environments. SMEs should be prepared to adjust strategies and operations in response to market trends, technological advancements, or regulatory changes to sustain competitiveness.

Investing in talent management, including hiring, training, and retaining skilled employees, is essential. A knowledgeable and motivated workforce contributes significantly to a firm's competitive advantage. Cultivate a supportive work culture that encourages employee growth and idea contribution.

Exploring strategic partnerships or collaborations with other businesses can provide SMEs with access to additional resources, technologies, or markets that may be challenging to achieve independently.

Embracing digital transformation is key for SMEs to enhance efficiency, improve customer experiences, and stay competitive. Digital technologies not only streamline operations but also open up new opportunities for innovation and business growth.

Regularly monitoring and evaluating the competitive landscape, industry trends, and the effectiveness of strategies is

crucial. Ongoing assessment allows SMEs to make informed decisions and adjust their approaches as needed.

Developing robust risk management strategies is essential to handle uncertainties. This involves understanding potential risks in the market, economy, or internal operations and having contingency plans in place. By incorporating these recommendations, SMEs can strengthen their competitive advantage and sustain performance in a dynamic and competitive business environment.

Implications

The assessment of the effects of competitive advantage on the sustainability of firm performance in SMEs carries significant *social and practical implications*. On a social level, the findings from this study can contribute to the development of sustainable business practices, fostering a corporate landscape that is mindful of social responsibility. By aligning competitive advantage strategies with social sustainability dimensions, SMEs can positively impact local communities, employee well-being, and ethical business practices. Practically, the insights derived from this assessment can guide SMEs in refining their strategies to not only enhance competitiveness but also address environmental and economic concerns. Implementing sustainable practices can lead to operational efficiencies, reduced environmental impact, and improved stakeholder relationships. Overall, the study holds the potential to influence business practices, promoting a more sustainable, socially responsible, and competitive landscape for SMEs.

Limitations and future research suggestions

The study examined the impact of competitive advantage on the sustainability of firm performance in small and medium enterprises (SMEs) within the Oromia regional state of Ethiopia. However, several limitations were identified. Firstly, the study exclusively targeted SMEs and did not encompass large-scale enterprises. Additionally, it focused solely on selected SMEs situated in West Shoa, Oromia regional state. Future researchers are encouraged to broaden their scope by including large-scale enterprises and expanding the geographic coverage. Furthermore, they should consider incorporating additional dimensions or related variables concerning both competitive advantage and the sustainability of firm performance. By addressing these limitations, future research endeavors can provide a more comprehensive understanding of the interplay between competitive advantage and sustainability across a wider spectrum of enterprises and variables, thereby enriching the scholarly discourse and contributing to more nuanced insights for practitioners and policymakers alike.

Originality

This title, "SME Success Blueprint: Investigating the Influence of Competitive Advantage on Firm Performance Sustainability in Oromia, Ethiopia," encapsulates the research's originality by combining the concepts of SME success, competitive advantage, and sustainability. It implies a strategic approach to unraveling the interplay between these factors, specifically in the Oromia region. The term "blueprint" suggests a practical guide, emphasizing the study's potential to offer actionable insights. This title effectively communicates the unique contribution of the research in understanding and enhancing the success dynamics of Small and Medium Enterprises in a specific geographic context.

Abbreviations

SME-Small and Medium Enterprises
CA-Competitive advantage
SFP- Sustainability of firm performance
Availability of data and materials

Available upon request

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