Designing a Marketing Decision-Making Model Based on Entrepreneurial Risks

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Abstract: This study aims to develop a fitted model for marketing decision-making based on the risks faced by entrepreneurs in small and medium-sized enterprises (SMEs) while considering the controlling effect of various marketing strategies on risk reduction. It is a descriptive-applied research that employs a mixed-methods approach, integrating both quantitative and qualitative methods. A conceptual model, comprising various variable factors and their interrelations, was designed, and the prioritization of risks was conducted through structural analysis. Data were collected using a semi-structured questionnaire with a five-point Likert scale through expert interviews. Subsequently, structural equation modeling (SEM) was employed using PLS3 and SPSS software to analyze the relationships among the variables from a marketing perspective to inform risk-related decision-making. In the present study, 11 marketing strategies influencing decision-making were identified. Their impact on the risk indicators faced by entrepreneurs was assessed based on the theory of realization. According to the statistical analysis results, after eliminating certain reflective indicators, all the aforementioned strategies were deemed essential in the model's design. Their effects on credit, operational, market, and liquidity risks were analyzed. Out of the 48 tested hypotheses, 27 were confirmed, while 21 were rejected and subsequently removed from the conceptual research model.

Keywords: decision-making model, marketing strategy, entrepreneurial marketing, entrepreneurial risks.

1. Introduction

The current economic environment in which entrepreneurs operate is characterized by inevitable change, where uncertainty undermines traditional planning efforts [1, 2]. In such an environment, competition is intense, technology evolves rapidly, and proactive marketing is crucial for success. Dynamic environments exhibit high levels of unpredictability in customer needs and capacities, along with rapid changes in market trends and industrial innovation. Under such conditions, relying solely on existing methods renders future profitability somewhat uncertain [3-5]. Marketing is one of the key success factors for businesses operating in the small and medium-sized enterprise (SME) sector. Insufficient knowledge about how entrepreneurs perceive marketing is a crucial but often overlooked reason for entrepreneurial failure. According to Langecker et al. (1999), entrepreneurs require formal marketing plans not only to persuade investors but also to guide them through the initial stages of preparation and establishment [6, 7]. Unfortunately, many entrepreneurs underestimate marketing to the extent that they focus entirely on the carriage while ignoring the horse. Marketing is a critical factor in the survival and development of entrepreneurial ventures. A lack of marketing skills in small businesses frequently results in lower performance levels and increased risks of failure [8-10].

SMEs form the backbone of the economy in developing countries. To ensure their successful development, it is essential to establish sustainable strategies and organizational frameworks that support business growth under diverse commercial conditions. The review of the literature highlights key research on entrepreneurial marketing and risk management in both national and international contexts. Domestically, studies such as those by Mousavi Nejad Kermani and Khodamipour (2018) explored entrepreneurial marketing in industrial markets, emphasizing the need for dynamic models to address uncertainties [11]. Ahmadi Kafshani et al. (2019) analyzed entrepreneurial marketing strategies for securing funding from business angels, identifying critical elements like entrepreneurial capabilities, team commitment, and value proposition [12]. Babak et al. (2017) focused on networking in entrepreneurial marketing within the pharmaceutical sector, demonstrating that networking enhances marketing effectiveness [13]. Nezam Doost et al. (2016) used the fuzzy TOPSIS method to rank factors influencing marketing strategies and technological innovations in SMEs, identifying customer orientation and value creation as crucial components [14]. Shahnazian et al. (2015) examined the role of risk management in fostering creativity and entrepreneurship, concluding that risk-taking is integral to innovation and business success [15]. Khodadad Hosseini and Kalabi (2013) investigated the influence of religious beliefs on entrepreneurial marketing strategies in Iran, identifying seven key components, including product development, pricing, and customer relations [16]. Internationally, Gregory (2019) studied financial openness and its effects on entrepreneurship, revealing that capital controls negatively impact entrepreneurship in emerging markets but have positive effects in developed economies [17]. Gu and Qian (2019) examined venture capital's role in entrepreneurial growth, concluding that while venture capital fosters innovation, its effect on business expansion is less pronounced [18]. Bracke et al. (2018) analyzed the impact of mortgage debt on entrepreneurship, finding that higher mortgage rates increase risk aversion and hinder entrepreneurial activity [19]. Lastly, Niehm et al. (2013) identified four core dimensions of entrepreneurial marketing—proactiveness, innovation, value creation, and risk-taking—as particularly relevant for SMEs [20]. These studies collectively underscore the significance of marketing strategies, financial management, and risk mitigation in entrepreneurial success.

There is limited information on productivity incentives in conditions of high uncertainty. Fortunately, numerous opportunities exist to test new approaches. A review of the relevant literature revealed that the primary dimensions of entrepreneurial marketing include risk-taking, proactiveness, opportunity orientation, value creation, innovation, customer orientation, and resource leveraging. A reluctance to adopt entrepreneurial marketing in SMEs often leads to lower performance levels and business failure [21]. The main challenge in empirical studies is how to increase the likelihood of making correct decisions under uncertainty while still being able to quantitatively measure outcomes. Therefore, the core issue of this research is the lack of an appropriate model for marketing decision-making that reduces the risks faced by entrepreneurs.

2. Methodology

The present study is a descriptive-applied research. Additionally, it employs a mixed-methods approach, integrating both quantitative and qualitative (blended) methodologies. The data used in this research consist of uncertain variables. The research process begins with a literature review to identify entrepreneurial risks and the marketing strategies that influence them. In the next phase, a model is developed based on the extracted factors. The designed model is a conceptual framework that includes various factors and their interrelationships. Following this, a structural analysis is conducted to prioritize the identified risks.

For this purpose, data were collected through a semi-structured questionnaire using a five-point Likert scale, administered through expert interviews. Subsequently, structural equation modeling (SEM) was applied using PLS3 and SPSS software to analyze the relationships among the variables from a marketing perspective in order to support decision-making in response to risks.

The research population consists of entrepreneurs and marketing managers of small and medium-sized enterprises (SMEs) in Tehran Province who meet the following criteria:

- The companies have been operational within the past ten years.
- The companies have fewer than 50 employees.
- The entrepreneurs have experience in founding more than one company, and the marketing managers have work experience in more than one company.
- The participants have at least a bachelor's degree.

In this study, the variables related to marketing decision-making in SMEs were identified, and the marketing strategies influencing entrepreneurial risks were determined. Ultimately, an operational model for marketing decision-making in businesses was developed and presented, and the impact of each effective marketing strategy on entrepreneurial risks was assessed.

3. Findings and Results

The acceptable threshold for confirming the goodness-of-fit of measurement models, based on Cronbach's alpha coefficient, is a value above 0.7. According to the software output, the Cronbach's alpha values indicate that the outer loadings of all indicators corresponding to each construct exceed 0.7, which signifies an excellent fit of the measurement models in terms of outer loadings. Additionally, the composite reliability (CR) should be above 0.7, and this value is always slightly higher than the Cronbach’s alpha coefficient. The calculated statistic also falls within its acceptable range. Finally, the average variance extracted (AVE) should exceed 0.5, which is also met in this study. The table below presents the fit indices of the measurement model:

Table 1. Fit Indices of the Measurement Model

Variables	Cronbach’s Alpha	Composite Reliability	Average Variance Extracted (AVE)
Online Marketing	0.960	0.966	0.738
Financial Strategy	0.968	0.972	0.795
Direct Marketing	0.936	0.952	0.798
Planning	0.978	0.980	0.779
Branding	0.968	0.974	0.864
Advertising	0.965	0.970	0.764
Distribution/Location	0.976	0.979	0.792
Sales	0.967	0.973	0.690
Pricing	0.949	0.959	0.796
Product	0.885	0.929	0.814
Customer	0.976	0.978	0.748
Credit Risk	0.975	0.984	0.953
Market Risk	0.961	0.981	0.963
Operational Risk	0.974	0.983	0.950

Liquidity Risk	0.985	0.990	0.971

All factor loadings exceed 1.96, indicating the statistical significance of all items and the relationships among the variables at a 95% confidence level. The table below presents the coefficient of determination (R^2) for the endogenous constructs of the research model.

Table 2. Coefficient of Determination for Endogenous Constructs of the Research Model

Dependent Constructs	R Square	Adjusted R Square
Credit Risk	0.799	0.792
Market Risk	0.743	0.734
Operational Risk	0.771	0.763
Liquidity Risk	0.759	0.750

According to the findings presented in the table above, the coefficient of determination values for the dependent variables in this study are close to 0.75, indicating a strong fit of the structural model. Additionally, the model fit index SRMR (Standardized Root Mean Square Residual) is a critical measure, which should be less than 0.08. If this value is below 0.08, the model is considered to have an acceptable fit. In this study, the SRMR value was found to be 0.062.

Consequently, it can be asserted that the conceptual model of this study demonstrates high predictive power, and its results can be generalized to the entire population.

The results of the hypothesis testing are presented in the table below.

Table 3. Results of Hypothesis Testing

Risks	Strategies	t-Statistic	Degrees of Freedom	Significance Level	Hypothesis Outcome
Credit	Business	7.8	19	0.000	Confirmed
-	Financial	2.156	19	0.044	Confirmed
-	Production	0.9	19	0.379	Rejected
-	Pricing	4.59	19	0.000	Confirmed
-	Branding	5.87	19	0.000	Confirmed
-	Customer	4.47	19	0.000	Confirmed
-	Communications	12.56	19	0.000	Confirmed
-	Online Marketing	0.165	19	0.871	Rejected
-	Planning	16.17	19	0.000	Confirmed
-	Direct Marketing	1.99	19	0.061	Rejected
-	Distribution	2.56	19	0.019	Confirmed
-	Sales	2.56	19	0.019	Confirmed
Operational	Business	3.23	19	0.004	Confirmed
-	Financial	0.893	19	0.383	Rejected
-	Production	2.77	19	0.012	Confirmed
-	Pricing	1.28	19	0.214	Rejected

-	Branding	0.152	19	0.881	Rejected
-	Customer	2.25	19	0.036	Confirmed
-	Communications	2.37	19	0.028	Confirmed
-	Online Marketing	-0.459	19	0.651	Rejected
-	Planning	3.008	19	0.007	Confirmed
-	Direct Marketing	0.165	19	0.871	Rejected
-	Distribution	0.335	19	0.741	Rejected
-	Sales	0.317	19	0.000	Rejected
Market	Business	10.28	19	0.044	Confirmed
-	Financial	-1.92	19	0.379	Rejected
-	Production	2.79	19	0.000	Confirmed
-	Pricing	2.36	19	0.000	Confirmed
-	Branding	3.47	19	0.000	Confirmed
-	Customer	8.54	19	0.000	Confirmed
-	Communications	11.96	19	0.871	Confirmed
-	Online Marketing	3.32	19	0.000	Confirmed
-	Planning	5.22	19	0.061	Confirmed
-	Direct Marketing	3.55	19	0.019	Confirmed
-	Distribution	5.62	19	0.019	Confirmed
-	Sales	5.62	19	0.004	Confirmed
Liquidity	Business	4.35	19	0.383	Confirmed
-	Financial	0.181	19	0.012	Rejected
-	Production	0.972	19	0.214	Rejected
-	Pricing	0.972	19	0.881	Rejected
-	Branding	1.23	19	0.036	Rejected
-	Customer	0.295	19	0.028	Rejected
-	Communications	0.863	19	0.651	Rejected
-	Online Marketing	0.751	19	0.007	Rejected
-	Planning	4.32	19	0.871	Confirmed
-	Direct Marketing	0.484	19	0.741	Rejected
-	Distribution	1.196	19	0.000	Rejected
-	Sales	0.893	19	0.044	Rejected

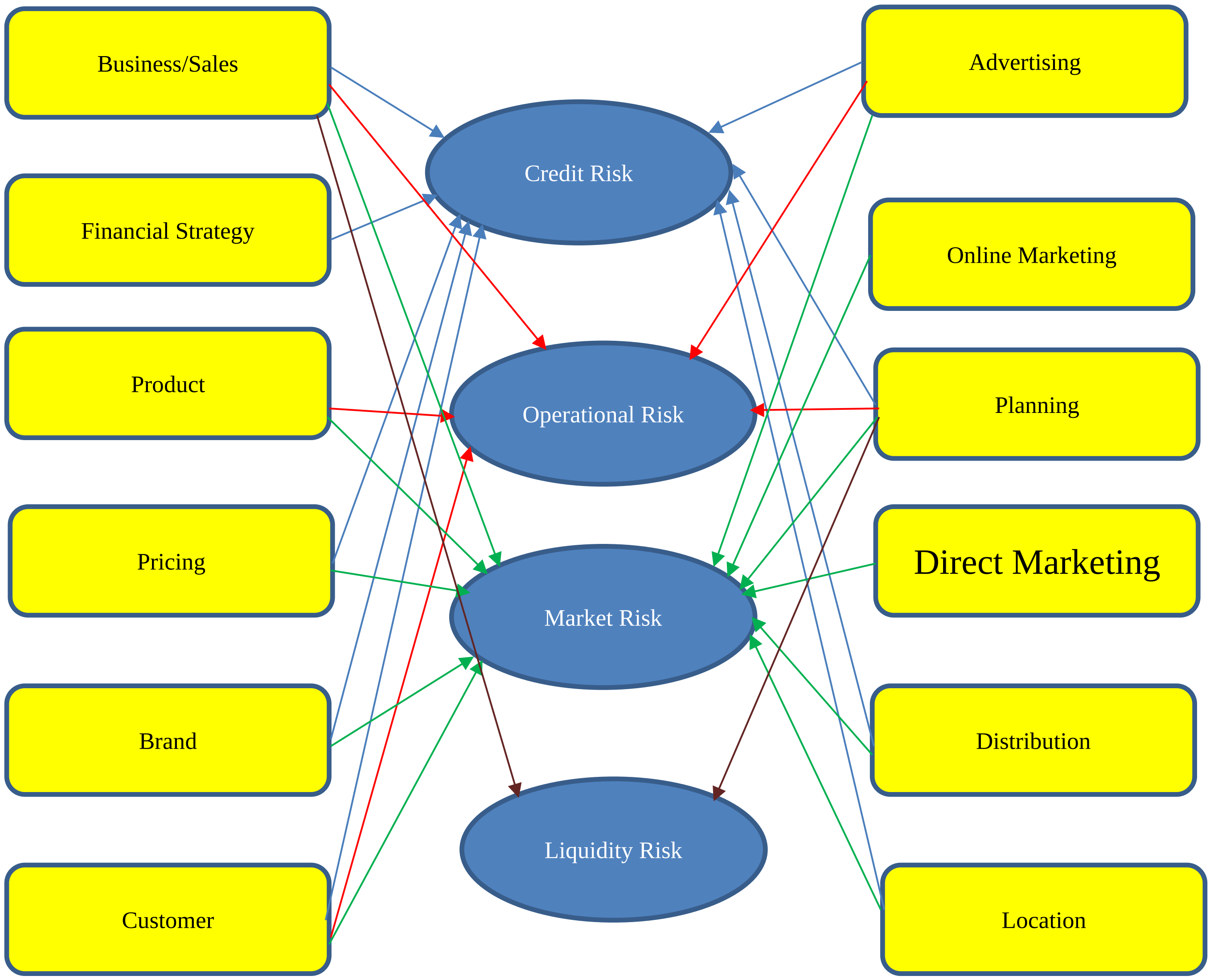

Figure 1. Final Research Model

4. Discussion and Conclusion

The findings of this study provide significant insights into the impact of various marketing strategies on entrepreneurial risks, offering a structured model for decision-making in small and medium-sized enterprises (SMEs). The results indicate that business-oriented marketing strategies, including pricing, branding, customer engagement, communications, planning, direct marketing, distribution, and sales, have a statistically significant effect on different types of entrepreneurial risks, such as credit risk, operational risk, market risk, and liquidity risk. In contrast, financial strategies and online marketing did not exhibit a significant impact on all risk dimensions. The study's conceptual model demonstrates strong predictive power, supported by high R-squared values, indicating that the proposed marketing decision-making framework effectively accounts for variations in entrepreneurial risk factors. The results align with previous studies on entrepreneurial marketing and risk management, confirming the central role of strategic marketing initiatives in mitigating financial uncertainties and ensuring business sustainability.

A key finding of this study is the strong relationship between business-oriented marketing strategies and credit risk reduction. The results suggest that effective pricing and branding strategies contribute significantly to mitigating credit risk, which is consistent with prior research emphasizing the importance of strong brand equity and value perception in financial stability [13]. By establishing a solid brand reputation and a competitive pricing strategy, businesses can enhance customer trust and investor confidence, ultimately reducing the risk of financial distress. This finding supports previous research indicating that branding and pricing strategies serve as risk-reduction mechanisms in highly competitive markets (Mousinejad Kermani & Khodamipour, 2018). Furthermore, customer engagement and communication strategies were found to be critical for minimizing credit risk, reinforcing the argument that maintaining strong customer relationships enhances revenue stability and decreases the likelihood of default [12].

The study also highlights the significant impact of planning, distribution, and sales strategies on operational risk mitigation. The findings confirm that well-structured planning processes and efficient distribution networks reduce uncertainties in supply chain management and enhance business resilience. Previous studies have emphasized the role of strategic planning in improving business performance and operational stability [14]. These results align with findings from research on network-based marketing strategies, which suggest that SMEs relying on structured planning and extensive business networks are more likely to achieve operational success [13]. Additionally, the positive influence of sales strategies on operational risk management is consistent with research demonstrating that proactive sales approaches help businesses maintain liquidity and operational continuity [15]. The findings confirm that businesses with structured marketing plans and efficient sales mechanisms are better equipped to handle operational uncertainties and maintain long-term sustainability.

Regarding market risk, the results demonstrate that entrepreneurial firms utilizing customer-focused marketing approaches, such as branding, communications, and online marketing, are more successful in minimizing exposure to market fluctuations. The significant impact of customer engagement and communication strategies on market risk reduction aligns with prior studies emphasizing that close interaction with customers enables businesses to anticipate market trends and adapt accordingly [16]. The positive relationship between online marketing and market risk management supports findings from digital marketing research, indicating that businesses leveraging digital platforms for customer outreach experience greater market adaptability and reduced market volatility [17]. These results reaffirm the argument that market-driven decision-making enables SMEs to navigate uncertain market conditions more effectively and sustain competitive advantages.

The study also sheds light on liquidity risk, revealing that financial strategies did not significantly influence liquidity risk reduction, whereas planning and sales strategies played a more prominent role. This finding contradicts traditional financial risk management theories, which often emphasize capital structure optimization as the primary tool for liquidity risk mitigation [18]. Instead, the results suggest that liquidity stability in SMEs is more closely associated with revenue generation strategies, such as sales optimization and structured planning. This aligns with previous research showing that SMEs with strong revenue-generating capabilities and structured business plans are more resilient against liquidity constraints [20]. Additionally, the findings indicate that investment in long-term planning enhances financial flexibility, supporting prior research that identifies structured planning as a key determinant of financial sustainability [19].

The rejection of several hypotheses related to financial strategies and direct marketing strategies indicates that these approaches may not be universally effective in mitigating entrepreneurial risks. The results suggest that financial strategies alone do not guarantee business stability, as they may not directly address operational inefficiencies and market uncertainties. This finding aligns with previous research indicating that financial decision-making should be integrated with broader marketing and operational strategies to ensure long-term business success [17]. Similarly, the rejection of hypotheses related to direct marketing suggests that traditional direct marketing methods may not be as effective in reducing entrepreneurial risks as digital and customer-driven approaches [18]. These findings highlight the evolving nature of marketing strategies in entrepreneurial contexts and emphasize the need for businesses to adopt multi-faceted approaches that integrate various marketing channels.

Despite the valuable contributions of this study, several limitations must be acknowledged. First, the research focuses exclusively on SMEs in Tehran, which may limit the generalizability of the findings to other regions with different economic conditions and regulatory frameworks. Future studies should consider expanding the research scope to include SMEs from diverse geographic locations and industries. Second, the study relies on self-reported data collected through semi-structured interviews and questionnaires, which may introduce response bias. Future research could benefit from triangulating data sources by incorporating objective financial and operational performance metrics. Third, the study examines the impact of marketing strategies on entrepreneurial risks at a single point in time, which may not capture the dynamic nature of market conditions. Longitudinal studies would provide a deeper understanding of how these relationships evolve over time. Lastly, while the research model accounts for key marketing strategies, it does not explicitly consider external factors such as economic fluctuations, technological advancements, and competitive pressures, which may also influence entrepreneurial risk dynamics.

To build upon the findings of this study, future research should explore the integration of digital marketing strategies with traditional marketing approaches to assess their combined effectiveness in risk mitigation. Investigating the role of artificial intelligence and data analytics in entrepreneurial marketing decision-making could provide valuable insights into how SMEs can leverage technology for strategic advantage. Additionally, future studies should examine how cultural and institutional differences impact the effectiveness of marketing strategies in different entrepreneurial ecosystems. Comparative studies between developed and emerging markets would enhance the understanding of how marketing strategies should be tailored to specific economic environments. Research exploring the intersection of financial risk management and marketing decision-making could also provide a more holistic perspective on SME sustainability. Lastly, conducting experimental or case study-based research could offer practical insights into the real-world application of the proposed decision-making model.

Entrepreneurs and marketing managers in SMEs should prioritize the development of structured marketing strategies that align with their business goals and risk management objectives. Investing in brand-building and customer engagement initiatives can significantly reduce credit and market risks by enhancing consumer trust and market adaptability. Businesses should also adopt a proactive approach to planning and sales optimization to mitigate operational and liquidity risks. Additionally, leveraging digital marketing platforms can provide SMEs with greater market flexibility and resilience against market fluctuations. Companies should consider integrating financial and marketing strategies to ensure a comprehensive approach to risk management. Finally, policymakers and business support organizations should develop targeted training programs to help entrepreneurs enhance their marketing and risk management capabilities, ensuring long-term business sustainability and competitiveness in dynamic market environments.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

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Conflict of Interest

The authors report no conflict of interest.

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