

Effect of Entrepreneurship Orientation, Marketing Capability, Social Media Use on MSME Performance in Kelapa Gading

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Abstract

The purpose of this study was to examine the entrepreneurial orientation, marketing capability, use of social media have an influence on the performance of Micro, Small and Medium Enterprises (SMEs) in Kelapa Gading. Sampling was done by non-probability sampling method. Data collection technique was using Purposive Sampling. Data collected by means of distributing online questionnaires through the Google Form application with a sample size of 100 respondents. The data analysis technique used the SEM method, and the data was processed using SmartPLS software. The results showed that entrepreneurial orientation had a positive and insignificant effect on the performance of Micro, Small and Medium Enterprises (SMEs) in Kelapa Gading, marketing capability had a positive and significant effect on the performance of Micro, Small and Medium Enterprises (SMEs) in Kelapa Gading, the use of social media had a positive and significant effect on the performance of Micro, Small and Medium Enterprises (SMEs) in Kelapa Gading.

Keywords

entrepreneurial orientation; marketing capability; use of social media; performance of micro; small and medium enterprises (SMEs)



I. Introduction

Micro, small and medium enterprises or commonly abbreviated as MSMEs have a very large role in economic growth in Indonesia. MSMEs are the backbone of the Indonesian economy. According to the Central Statistics Agency (2019), 98.68% of business entities fall into the category of micro, small and medium enterprises and this sector uses 75.33% of the total workforce. Therefore, the contribution of MSMEs tends to be higher in terms of numbers. Although MSMEs greatly contribute to the Indonesian economy (Dirgiatmo et al., 2019; Wiwoho et al., 2020), the contribution of MSMEs to GDP has decreased slightly from 61.41% in 2017 to 61.07% in 2020 (Ministry of Finance, 2019). Finding that the problem of developing Micro, Small and Medium Enterprises (MSMEs), One of the main problems in the development of the Creative Industry or MSMEs in Indonesia is the lack of competent Human Resources (HR) in the process of utilizing existing resources (R. Rodhiah et al., 2021). Associated with internal factors consisting of aspects of human resources, finance, production/operational techniques, as well as markets and marketing, Then, there are also external factors consisting of aspects of government policy, socio-cultural and economic, as well as other institutional aspects (R. Rodhiah and Tony Nawawi, 2020). Covid 19 pandemic caused all efforts not to be as maximal as expected (Sihombing and Nasib, 2020). The outbreak of this virus has an impact of a nation and Globally (Ningrum et al, 2020). Then the emergence of the Covid-19 pandemic that occurred throughout the world, had a negative impact on the economies of countries around the world, especially developing countries such as Indonesia.

Therefore, MSMEs can improve performance, reduce risk, and gain competitive advantage (Akpan et al., 2020). Taking these facts into account, various studies have also revealed that MSMEs have been faced with and experienced a number of challenges that hinder their competitiveness and performance in a competitive market and the COVID-19 environment. Kuncoro (2010) suggests that MSMEs in Indonesia in terms of quality are difficult to develop in the market due to several internal problems, such as a lack of entrepreneurial orientation. Along with the development of technology and various situations that occur, several empirical studies have highlighted the need for other entrepreneurial skills in carrying out their entrepreneurial orientation functions such as innovation and adaptation to changing business demands in order to obtain better business performance. The marketing paradigm has developed rapidly with technological advances and the role of the use of social media in marketing, especially in recent years (Pascal and Shin, 2015; Qalati et al., 2021). Therefore, marketing capabilities and use of social media can influence the relationship between entrepreneurial orientation and MSME performance (Pascal and Shin, 2015). The use of social media can be used by MSMEs to identify new opportunities and product ideas, to improve customer relationships and to expand collaboration within the company.

Based on previous studies that have examined the performance of micro, small and medium enterprises there is still a research gap, according to research by Juli Yanto (2020) entrepreneurial orientation has a significant effect on business performance, while in Setyawati's research (2013) entrepreneurial orientation has no significant effect on performance effort. Then there is no research that uses the variables of entrepreneurship orientation, marketing capability, use of social media on the performance of MSMEs.

II. Review of Literature

2.1 Entrepreneurship Orientation

Lumpkin & Dess (1996) argues that the Entrepreneurial Orientation relies on processes, practices, and decision-making activities leading to a new entity. The characteristics of an entrepreneurial orientation which include a tendency to act independently, a desire to innovate, willing to take risks, as well as a tendency to be aggressive towards competitors and relatively proactive in market opportunities are key dimensions.

2.2 Marketing Capability

Marketing capabilities are an internal resource because decision makers position about when to interact, promote, and respond. Here, MSMEs need an entrepreneurial orientation to realize superior performance through marketing capabilities. Marketing capabilities enable companies to integrate and introduce better services according to customer needs, thereby improving customer relationships (Kohtamaki et al., 2015).

2.3 Use of Social Media

The use of social media is an externally and spontaneously available resource that can be used by every MSME. The added value of using social media is highly dependent on MSME owners because it is basically related to practice, skills, strategies, and decision making. Therefore, the use of social media in improving the performance of MSMEs depends on the overall use of different technologies in the company and the synergy between these technologies and company resources (Sigala, 2012).

2.4 MSME Performance

Performance is a concept used to measure the impact of a company's strategy according to Ferdinand (2000). The company's strategy is always directed towards earning a company's performance, such as financial performance, market share, and sales volume. Business performance is the result of a business process that shows the value of the success of a business. According to Wu & Zhao (2009) to be able to achieve superior performance, an organization must achieve targets as expected with great effectiveness and efficiency to match its competitors.

Based on the explanation of each of the variables above, entrepreneurial orientation, marketing capability, use of social media have an influence on the performance of MSMEs.

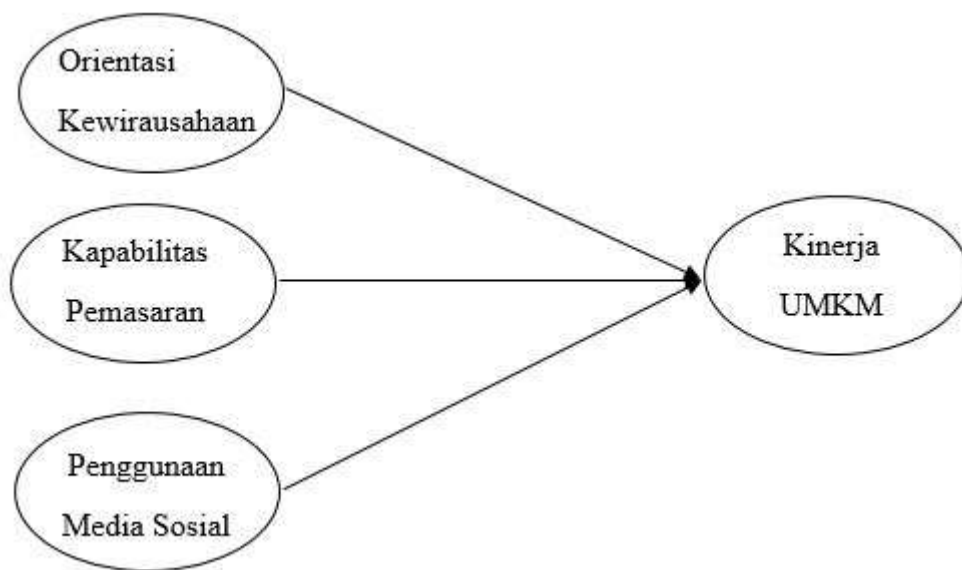


Figure 1. Research Model

The hypotheses in this study are:

- H1: Entrepreneurial orientation has a positive influence on the performance of SMEs in Kelapa Gading
- H2: Marketing capability has a positive influence on the performance of MSMEs in Kelapa Gading
- H3: The use of social media has a positive influence on the performance of SMEs in Kelapa Gading

III. Research Method

This study uses quantitative methods. With the purposive sampling technique, because there are criteria that have been set by researchers for certain participants. The population in this study are the owners of SMEs in Kelapa Gading. The number of samples in this study were 100 respondents. Data collection techniques using a questionnaire. Questionnaires were distributed online via Google Form to respondents who owned MSMEs in Kelapa Gading. Research data processing using PLS-SEM software which consists of two analyzes, namely the outer model and the inner model.

IV. Results and Discussion

4.1 Results

a. Respondent Profile

The research subjects consisted of 58 men and 42 women, with the age of respondents 18-30 years and 31-40 years with the highest number being 40 people respectively. The majority of respondents have the latest bachelor's degree in education.

b. Validity and Reliability Test Results

Based on the analysis of the results of the measurement model (Outer Model Analysis) it was found that all indicators used to measure the research variables were valid and reliable so that they could represent the research variables and could be trusted.

1. Convergent Validity

Table 1. Results of AVE values

No	Variable	AVE	Information
1	Marketing Capability	0.578	Valid
2	MSME Performance	0.605	Valid
3	Entrepreneurship Orientation	0.664	Valid
4	Use of Social Media	0.564	Valid

Based on the results of the AVE value in table 1, it shows that each variable has a value greater than 0.5. It can be said that each variable has met the requirements of convergent validity.

Table 2. Outer Loadings value results

Indicator	Marketing Capability	MSME Performance	Entrepreneurship Orientation	Use of Social Media	Information
KP1	0.777				Valid
KP2	0.737				Valid
KP3	0.703				Valid
KP4	0.819				Valid
KU1		0.791			Valid
KU2		0.817			Valid
KU3		0.726			Valid
KU4		0.774			Valid
OK1			0.749		Valid
OK2			0.869		Valid
OK3			0.822		Valid
OK4			0.779		Valid
OK5			0.848		Valid
PMS1				0.848	Valid
PMS2				0.707	Valid
PMS3				0.703	Valid
PMS4				0.745	Valid
PMS5				0.742	Valid

Table 2 shows the results of the Outer Loadings analysis, each indicator shows a value of more than 0.7 (> 0.7). It can be concluded that all variables in this study have met the requirements of convergent validity.

2. Discriminant Validity

Table 3. Results of Cross Loadings values

Variable	Marketing Capability	MSME Performance	Entrepreneurship Orientation	Use of Social Media
KP1	0.777	0.193	0.027	-0.076
KP2	0.737	0.179	0.093	0.085
KP3	0.703	0.169	0.108	0.165
KP4	0.819	0.230	0.110	-0.062
KU1	0.177	0.791	0.117	0.300
KU2	0.204	0.817	0.115	0.278
KU3	0.293	0.726	-0.043	0.083
KU4	0.119	0.774	-0.076	0.178
OK1	0.166	0.030	0.749	0.068
OK2	0.081	0.061	0.869	0.096
OK3	0.063	0.025	0.822	0.054
OK4	0.064	0.047	0.779	0.011
OK5	0.099	0.057	0.848	0.046
PMS1	0.076	0.328	0.081	0.848
PMS2	-0.066	0.048	-0.006	0.707
PMS3	-0.082	0.078	0.042	0.703
PMS4	0.004	0.173	0.075	0.745
PMS5	-0.003	0.191	0.006	0.742

The results of the analysis of cross loadings in Table 3 above show that the value of the cross loadings of each indicator of a construct is higher than the value of the cross loadings of these indicators in other constructs. With that it can be concluded that all the variables of this study have met the requirements of discriminant validity.

3. Composite Reliability

Table 4. Reliability analysis results

No	Variable	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>	Information
1	Marketing Capability	0.757	0.845	Valid
2	MSME Performance	0.786	0.859	Valid
3	Entrepreneurship Orientation	0.877	0.908	Valid
4	Use of Social Media	0.827	0.865	Valid

Composite Reliability of all the variables above, which are above 0.70, it can be said that the value is reliable. In addition, the table above also shows that the value of Cronbach's alpha for all variables, namely above 0.70 can be said to be reliable.

c. Inner Model

1. Determinant Coefficient Test (R2)

Table 5. Results of Determinant Coefficients

Variable	R-square
MSME Performance	0.144

In the test results of the determinant coefficient, it can be seen that the R-Square Square is 14.4% the variation in the brand preference variable can be explained by the brand trust variable and the perceived value. The remaining 83.6% can be explained by other variables outside the research model.

2. Path Coefficient Test

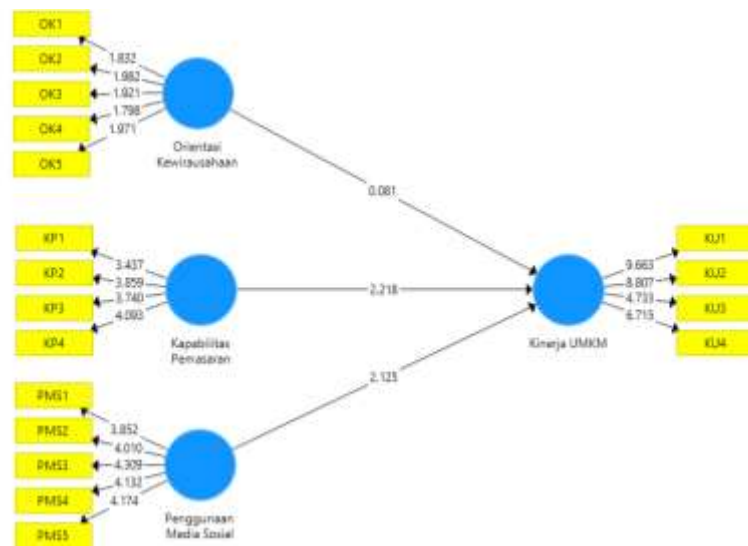


Figure 2. Bootstrapping Analysis Results

Entrepreneurial orientation has a positive influence on the performance of SMEs because it has a path coefficient value of 0.081. Then the marketing capability has a positive influence on the performance of SMEs because it has a path coefficient value of 2.218. The use of social media has a positive influence on the performance of MSMEs because it has a path coefficient value of 2.125.

3. Hypothesis Testing (t-statistics)

	<i>Original Sample (O)</i>	<i>t-statistics</i>	<i>p-values</i>	description
Marketing Capability on MSME Performance	0.248	2,194	0.014	Significant
Entrepreneurship Orientation to MSME Performance	0.013	0.078	0.469	Not significant
Use of Social Media on MSME Performance	0.279	2,569	0.004	Significant

The results of hypothesis testing 1: entrepreneurial orientation has an insignificant positive effect on the performance of MSMEs in Kelapa Gading.

Hypothesis 2 test results: marketing capability has a significant positive effect on the performance of SMEs in Kelapa Gading.

Hypothesis test results 3: the use of social media has a significant positive effect on the performance of SMEs in Kelapa Gading.

4.2 Discussion

From the first hypothesis test, it can be concluded that entrepreneurial orientation has an insignificant positive effect on the performance of MSMEs in Kelapa Gading. The results of this study are in accordance with that stated by Setyawati and Harini (2013), that entrepreneurial orientation has a positive but not significant effect on performance. However, this is contrary to the findings from Juli Yanto (2020) which states that entrepreneurial orientation has a significant positive effect on all business performance, both financial and non-financial. Then according to Juli Yanto that entrepreneurs are expected to prioritize and develop their entrepreneurial orientation in order to improve business performance. Then according to Zahra (2021) states that MSMEs with an entrepreneurial orientation tend to be able to improve their core abilities and look for opportunities for their business continuity. The results of the second hypothesis are accepted because marketing capability has a significant positive effect on the performance of SMEs in Kelapa Gading. The results of this study are in line with previous research by Perengki et al. (2021) who argue that marketing capability has a positive effect on the performance of MSMEs. Businesses that have a good marketing capability will get a good performance as well. One of them can be by using social media to do marketing to increase sales. Then according to Dias and Pereira (2017) stated that marketing capabilities are very important for competitive sustainability and provide organizations with the means to adapt to market needs. Then marketing capabilities can generate competitive advantage and long-term profits. Based on the results of the third hypothesis, it can be concluded that the use of social media has a significant positive effect on the performance of SMEs in Kelapa Gading. The results of this study are the same as those conducted by Perengki et al. (2021) which states that the use of social media has a positive and very significant influence on the performance of MSMEs. This finding implies that the use of social media is an important factor in the era of the digital environment to build a customer base and connect with customers in a more efficient way. Then also supported by research from Amoah et al. (2021), which stated that businesses have used social media to run some businesses during the Covid-19 pandemic. Thus there is a positive effect of the use of social media on business performance.

V. Conclusion

1. Entrepreneurial orientation has a positive but not significant effect on the performance of MSMEs in Kelapa Gading. With that, entrepreneurs in Kelapa Gading still need to have an entrepreneurial orientation in running their business, although not significantly but they can run their business better because of their entrepreneurial orientation.
2. Marketing capability has a significant positive effect on the performance of SMEs in Kelapa Gading. Therefore, an entrepreneur in Kelapa Gading can put forward his business skills in marketing in order to reach more customers in order to increase company sales and have good performance.

3. The use of social media has a significant positive effect on the performance of MSMEs in Kelapa Gading. Therefore, an entrepreneur in Kelapa Gading must use social media in his business operations to be able to reach, establish, foster, maintain relationships between customers and be able to create and increase the customer base to be even bigger. Moreover, the use of social media can help in utilizing market knowledge in real time, so as to create new opportunities to expand or increase profits and business performance.

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