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# The Role of Social Media Usage on Entrepreneurship Orientation and MSME's Performance

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## ABSTRACT

The purpose of this study was to determine whether there is an influence of entrepreneurship orientation on the performance of MSMEs in Jakarta mediated using social media. The non-probability sampling technique is used in the sample selection process. The sampling technique uses purposive sampling and snowball sampling methods. In this study, data was collected by distributing online questionnaires in the form of a google form so that as many as 101 respondents were obtained from MSME in Jakarta. Data were processed using PLS-SEM method. Based on the findings of this research, entrepreneurship orientation has no significant effect on MSME business performance in Jakarta; however, using social media can fully mediate the significant effect of entrepreneurship orientation on MSME's performance in Jakarta.

**Keywords:** *Entrepreneurship orientation, social media usage, business performance*

## 1. INTRODUCTION

Based on data from the Ministry of Cooperatives and Small and Medium Enterprises in 2018, the contribution of MSMEs to the national economy (GDP) is 61.1% [1]. The data above indicates that MSMEs have a big influence on the Indonesian economy. MSMEs can generate promising business profits with low risk. Therefore, many are considering starting a business from MSMEs. Facing the competition among MSMEs, they must be able to have the right strategy by having good performance. In business, performance is a goal that becomes the main priority that is a concern to business owners [2]. Business performance is a measure of how well a company is managed and the value that the company provides to stakeholders and customers [3].

To achieve their performance, MSMEs face several problems such as lack of capital and managerial ability and skills to operate an organization with limited marketing. These problems result in weak business networks, limited market penetration and market diversification capabilities, too small economies of scale, and very small profit margins that make it difficult to have a competitive advantage [4].

The utilization of technology is one of the efforts that can optimize the business performance of MSMEs. Current technological developments have made it easier for entrepreneurs to carry out business activities. Technology can be used to carry out digital marketing which has proven to have a positive impact on increasing sales [5]. Technology resource-based business management is an alternative solution for MSMEs because they can create special competencies and provide strategic options to achieve sustainable competitive advantage [6].

Social media is one of the simple applications that can improve business performance. Social media is a category of internet-based applications that are based on the ideological and technological foundations of Web 2.0 [7]. Social media provides a place for many consumers, a repository of customer-owned information that serves to disseminate information to build a market presence to strengthen business performance [8].

Business owners not only rely on social media. They also need to have entrepreneurial orientation actions. Entrepreneurial orientation is a company's behavior that is reflected in the behavior of the owner or manager in the strategic decision-making process through innovation, risk-taking and proactivity [9]. Entrepreneurship orientation is a corporate strategy aimed at enabling companies to compete in the market.

## **2. LITERATURE REVIEW AND HYPOTHESIS**

### ***2.1. Entrepreneurship Orientation***

Entrepreneurial orientation is the orientation of a company's approach toward identifying and seizing opportunities [10]. The techniques, practices, and decision-making philosophies that managers employ in an entrepreneurial manner are referred to as entrepreneurial orientation like experimenting with new technologies for new product-market potential, and being inclined to take on risky projects [11].

### ***2.2. Business Performance***

Business performance is a measure of the financial ability of companies like the rate of profit, and level of investment with both sales and profit growth [12]. Business performance is a result achieved from the ability to develop new ideas and to find new ways of looking at problems and opportunities to improve or enrich people's lives [2].

### ***2.3. Social Media***

Social media functions as a hub for a significant number of consumers. It is the repository of consumer information and acts as a means of spreading information to expand position in the market [7].

### ***2.4. The relationship between Entrepreneurship Orientation and Business Performance***

Entrepreneurship orientation led to growth in company performance [13]. Entrepreneurial behavior and risk-taking attitudes help to maintain and discover new prospects [14]. This is because entrepreneurial orientation reflects the behavior of companies that are innovative, risk-taking, and proactive in dealing with industry competitors. Based on this, it is concluded that the hypothesis is:

**H<sub>1</sub>: Entrepreneurship orientation has an impact on business performance.**

### ***2.5. The relationship between Entrepreneurship Orientation and Social Media Usage***

Entrepreneurship orientation has been widely associated with the adoption of sophisticated technology to improve business capabilities and gain a competitive advantage to over competitors [15]. Entrepreneurship orientation encourages businesses using social media platforms to interact with their customers, engage with prospective customers online, take advantage of low-cost media marketing opportunities, learn about their competitors, and scan the environment [16]. Based on this, the following hypothesis can be concluded:

**H<sub>2</sub>: Entrepreneurship orientation has an impact on social media usage.**

### ***2.6. The relationship between Social Media usage and Business Performance***

Several studies on social media have indicated why so many companies use social media. Its many applications usually involve attracting new customers, building a relationship, increasing awareness, sharing information brands online, and receiving feedback from business partners and customers [17]. The goal of achieving performance can be optimized through the adoption of social media [18]. Social media can help entrepreneurs to increase their business performance. As a result,

the current relationship between entrepreneurial orientation and MSME performance is likely to be mediated by social media. Based on this, the hypothesis is as follows:

**H<sub>3</sub>: Social media usage has an impact on business performance.**

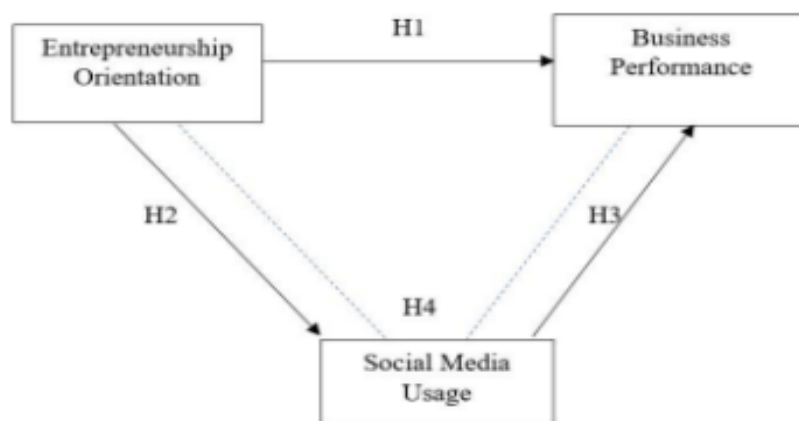
### ***2.7. The relationship between Entrepreneurship Orientation, Social Media Usage and Business Performance***

The added value of using social media to improve MSME performance is highly dependent on the entrepreneurial orientation of the owner. The use of social media in MSMEs synergies between technology and available resources related to practices, skills, strategies, and decision making [19]. The influence of entrepreneurial orientation on the performance of MSMEs will be strengthened by social media applications.

**H<sub>4</sub>: Social media usage can mediate the impact of entrepreneurship orientation on business performance.**

### ***2.8. Research Framework***

Based on the explanation above, the following framework is formed as follow:



**Figure 1** Research Model

## **3. RESEARCH METHOD**

Research design is a strategy for collecting, measuring, and analyzing data to answer research questions [20]. There are two types research design: exploratory research design and conclusive research design. Design Conclusive research is then divided into 2 types of research: descriptive research design and causal research design [21]. The method used in this research is the method descriptive research is the method used to research groups of people, objects, and conditions. This research uses quantitative research methods that aim to see the effect of the independent variable on the dependent variable.

The population is MSMEs in Jakarta. The samples used by the researcher are MSMEs in Jakarta that use social media in running their business. The number of samples collected in this study was 101 MSMEs. Sampling was conducted using non-probability sampling with purposive sampling and snowball sampling technique.

## **4. RESULT AND DISCUSSION**

Based on these results, the variable indicators that have been tested meet the requirements of convergent validity. The Average Variance Extracted (AVE) value is acceptable if the result is equal

to 0.5 or higher, so it can be concluded that the measurement meets the criteria of convergent validity [22]. There is one indicator of the Entrepreneurship Orientation variable that does not meet the requirements of convergent validity because the loading value is lower than other variables, which is below 0.5, and therefore said indicators are eliminated. Reliability testing with Cronbach's Alpha test and Composite Reliability has also met the criteria with a value above 0.6 so that it is declared reliable research.

**Table 1** Validity and Reliability Test

Variable	Item	Loading Factor	AVE	Composite Reliability
Entrepreneurship Orientation	EO2	0.673	0.501	0.801
	EO3	0.690		
	EO4	0.745		
	EO5	0.721		
Social Media Usage	SM1	0.624	0.584	0.873
	SM2	0.657		
	SM3	0.860		
	SM4	0.805		
	SM5	0.843		
Business Performance	FP1	0.826	0.630	0.894
	FP2	0.719		
	FP3	0.847		
	FP4	0.778		
	FP5	0.791		

In addition, the path coefficient test was used to determine whether the dependent variable has a partial effect on the independent variable. The hypothesis test using the bootstrapping method are as follows:

**Table 2** Path Coefficient Analysis Result and Mediation Test Result

Hypothesis	Path Coefficient	p-Value	Result
H1: Entrepreneurship Orientation → Business Performance	0.206	0.092	Not Supported
H2: Entrepreneurship Orientation → Social Media Usage	0.512	0.000	Supported
H3: Social Media Usage → Business Performance	0.644	0.000	Supported
H4: Entrepreneurship Orientation → Social Media Usage → Business Performance	0.330	0.000	Supported

The hypothesis tests results from Table 2 shows that entrepreneurship orientation has no significant effect on Business Performance in MSMEs in Jakarta. This research is not in line with the entrepreneurial orientation that led to growth in company performance. For micro, small, and medium enterprises most of their businesses have been running for 2-5 years, they think that maintaining business continuity by taking advantage of opportunities will be better than taking risks that will impact their business activities, so that entrepreneurial orientation is considered less able to provide a significant influence significant on business performance compared to other variables.

In addition, based on Table 2, entrepreneurial orientation has a positive and significant effect on social media usage in MSMEs in Jakarta. Entrepreneurship orientation has been widely associated with technology adoption of sophisticated technology to improve business capabilities and earn a competitive advantage to be the best among competitors. This finding is consistent with previous research [16], which explains that entrepreneurship orientation encourages businesses to use social

media platforms to develop two-way communication with their customers, engage with prospective consumers online, take advantage of low-cost media marketing opportunities, learn about their competitors, and scan the environment.

According to the findings of hypothesis testing, social media utilization has a positive and significant impact on business performance in Jakarta MSMEs. The results of this study are following previous research [18] which states that the goal of achieving performance can be optimized through the adoption of social media, by attracting new customers, cultivating relationships, raising awareness, communicating brands online, as well as receiving feedback from customers and business partners.

In addition, based on the results of hypothesis testing, it is known that social media usage can mediate the influence of entrepreneurship orientation on business performance. To achieve better performance, the use of social media currently supports MSME actors so that they can reach a wider market, carry out flexible business promotions and get information to face competitors' industries. It can be concluded that the use of social media plays an important role in promoting growth and maintaining business continuity in the face of challenges by increasing globalization and changes in existing technology.

## 5. CONCLUSION & SUGGESTION

According to the findings, it can be concluded that entrepreneurship orientation has no significant effect on the business performance of MSMEs in Jakarta, but entrepreneurship orientation has a positive and significant effect on social media usage as well as social media usage has a positive and significant effect on the business performance of MSMEs in Jakarta. It means using social media can mediate the effect of entrepreneurship orientation on the business performance of MSMEs in Jakarta. This implies that social media acts as a total mediation between entrepreneurial orientation and business performance.

This study suggests MSME owners can use and benefit from the role of social media to compete with other entrepreneurs' competitors and reach out to a wider market. Besides that, it is also hoped that they can develop their abilities by doing innovation, dare to take risks, and be proactive in dealing with industry competitors so that they can survive and find new opportunities using social media.

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