

# **THE ROLE OF SUBJECTIVE NORMS TO PREDICT EXPERIMENTAL BEHAVIOR THROUGH INTENTION OF SME OWNER IN JAKARTA**

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## **ABSTRACT**

*The crisis due to the pandemic has had a great negative impact on the survival of small and medium enterprises (SMEs) in various regions in Indonesia. Some gave up and closed their businesses. Some still survive and even continue to grow until now. For SMEs that persist, it is suspected that they have carried out a series of experiments so that their business survives. Experimental activities are carried out from modifying the product to changing the business model. This study was conducted to analyze the effect of subjective norms, namely family and closest friends, on the experimental behavior of SMEs mediated by intention. The theory of planned behavior is used to explain the relationship between these variables. The survey respondents are SME actors, totaling 35 people and running their businesses in Jakarta. The results showed that experimental behavior was influenced by intention, but subjective norms did not affect intention significantly. The presence of friends and family has a weak impact on SMEs to conduct a series of experiments on their business in order to maintain business sustainability.*

**Keyword:** *subjective norms, intention, experimental behavior, SME owner*

## **1. INTRODUCTION**

In December 2019, a new corona virus or SARS-CoV-2, which is now called Covid-19, was first detected in the city of Wuhan, Hubei Province, China. Even though the epicenter of cases came from China, the spread of the virus has occurred throughout the world. On January 30, 2020 the World Health Organization (WHO) declared a "Public Health Emergency of International Concern" to coordinate the international response (McKibbin and Fernando, 2020 [1], Kuckertz et.al, 2020 [2]).

The impact of the pandemic due to the outbreak of the Covid-19 virus for the Indonesian economy is very real. The Indonesian economy contracted in 2020, but at a moderate rate compared to the downturn in 1998 and other Southeast Asian economies during the pandemic. GDP fell by 2.1% in 2020, but based on the quarterly growth of seasonally adjusted GDP, activity started picking up again in the third quarter of the year (Asian Development Bank, 2022 [3]).

Haneberg (2020) [4] in Norway conducted research focusing on entrepreneurial behavior in responding to the crisis triggered by the pandemic. The survey conducted on entrepreneurs and business managers of restaurants and bars there shows the negative impact of the crisis and experiences of the first wave of Covid-19 on the existence of SMEs and how SME managers respond in entrepreneurial behavior. The results show that the impact of the pandemic leads to uncertainty and lessons learned from past experiences. Uncertainty leads to affordable losses and learning leads to experimental behavior. This research has not used the theory of planned behavior or Theory of Planned Behavior (TPB) from Ajzen (1991) [5]. TPB is commonly used to predict behavior through intention.

According to Ajzen (1991) [5] intention is assumed to capture the motivational factors that influence behavior. Intention is an indication of how hard a person is willing to try, how much effort is planned to be exerted, to perform a behavior. As a general rule it was found that when behavior does not pose a serious control problem, it can be predicted from intention with considerable accuracy.

The theory of planned behavior postulates three conceptually independent determinants of intention. The first is attitude toward behavior which refers to the extent to which a person has a favorable or unfavorable evaluation or assessment of the behavior in question. The second predictor is a social factor called subjective norm which refers to perceived social pressure to perform or not perform the behavior. The third antecedent of intention is the level of perceived behavioral control which refers to the perceived ease or difficulty in carrying out the behavior and is assumed to reflect past experience and anticipated obstacles and obstacles.

Entrepreneurial behavior is related to effectuation theory (Sarasvathy, 2001) [6] whose use is still limited. There are two approaches used by entrepreneurs in the process of developing new businesses, namely causation and effectuation (Sarasvathy, 2001) [6]. In its development, Perry et al. (2012) [7] evaluated the empirical and field research supporting the concept and determined that effectuation theory is at the development stage and is transitioning to an intermediate stage.

Under conditions of uncertainty, it is not possible to draw statistical conclusions. Additionally there is no feasible way to calculate the expected return for a given action. Instead of analyzing alternatives and choosing the one with the highest expected return, entrepreneurs choose behavioral alternatives based on affordable loss (Chandler, DeTienne, McKelvie, Mumford, 2011) [8]. Entrepreneurs also maintain flexibility, use experimentation and try to exercise control over the future by making alliances and making pre-commitments from potential suppliers, competitors and customers (Chandler, DeTienne, McKelvie, Mumford, 2011) [8].

This study tries to analyze the role of one determinant, namely subjective norms towards intentions that lead to experimental behavior of SME owners.

## **2. RESEARCH METHOD**

Theory of Planned Behavior is designed to predict and explain human behavior in a specific context (Ajzen, 1991) [5]. The main factor in the Theory of Planned Behavior is the individual's intention to perform certain behaviors. Intention is assumed to capture the motivational factors that influence behavior that is an indication of how hard people are willing to try, how much effort they plan to put forth, to perform the behavior.

Theory of Planned Behavior postulates three conceptually independent determinants of intention. The first is the attitude toward the behavior which refers to the extent to which a person has a favorable or unfavorable evaluation or assessment of the behavior in question. The second predictor is a social factor called subjective norm which refers to perceived social pressure to perform or not perform the behavior. The third antecedent of intention is perceived behavioral control which refers to the perceived ease or difficulty in carrying out the behavior and is assumed to reflect past experiences as well as anticipated obstacles and obstacles.

As a general rule, the better the attitude and subjective norms with respect to a behavior, and the greater the perceived behavioral control, the stronger the individual's intention to perform the behavior under consideration. The relative importance of attitude, subjective norm, and perceived behavioral control in predicting expected intention varies across behaviors and situations. In some applications it may be found that only attitude has a significant impact on intention, on the other hand attitude and perceived behavioral control are sufficient to explain intention, and in others the three predictors make independent contributions.

Sarasvathy (2001) [6] wants to understand the decision-making process in an uncertain operating environment or in a situation where a market does not yet exist. Effectiveness provides an explanation for why individuals end up establishing a new business activity even when it was not the original purpose when the business was started. Risks are taken only to the extent that they are prepared to take losses and retain the ability to adapt to changes brought about by the environment. They pursue new business opportunities that arise from related changes and learn by doing (Sarasvathy, 2001) [6].

The effectuation logic is reported to develop in an unstable operating environment which is difficult to predict, as it allows for quick reactions to environmental changes (Sarasvathy and Dew, 2005) [9]. Continuous learning is also an important part of the effectuation logic, because changes in the operating environment also require companies to change and learn new operating methods to respond to changing situations (Sarasvathy, 2001) [6]. The causation view, which is perhaps better known as the rational planning school, is one of the oldest in the field of strategic management, and reflects widely cited theories such as those advanced by Ansoff (1965) [10] and Porter (1980) [11] which emphasize the importance of analysis systematic. and integrative planning.

Chandler et al. (2011) [7] introduced and tested the first measurement scale of effectuation and causation. They propose that effectuation is a construct with three related sub-dimensions (experiment, affordable loss, and flexibility) and one dimension along with causation construction (pre-commitment).

Based on this description, it can be concluded that subjective norms, attitudes, and perceived behavioral control affect intentions. Furthermore, intention will influence entrepreneurial behavior, namely experimentation, affordable loss and flexibility. In this study the variables studied were subjective norms, intentions and experimental behavior, so that the hypothesis can be formulated as follows:

H1: Subjective norms affect intention.

H2: Intention influences experimental behavior.

H3: Intention mediates the relationship between subjective norms and experimental behavior.

This study uses a quantitative approach, namely by distributing questionnaires to respondents, namely SME owners in Jakarta who have been running a business for at least one year. The sample selection was carried out using a nonprobability sampling approach with a purposive sampling technique. The number of respondents is as many as 35 people. They consisted of 19 women and 16 men, mostly (66.6%) aged 18 to 60 years. Their business fields are culinary (44.4%), retail trade (36.1%), services (11.1%), manufacturing (2.8%) and others (5.6%). Most of them, namely 55.6%, have been running a business for more than 10 years. There are 16.7% who have run a business for 5-10 years, the rest (27.8%) for less than 5 years.

The data analysis technique uses PLS SEM by utilizing Smart PLS version 4 software. The operationalization of variables, namely subjective norms, intentions and experimental behavior are presented in the following table:

**Table 1.** Operationalization of Variables

No	Variable	Indicator	Source
1.	Subjective Norm	1. My next of kin approve of my decision to experiment with my business. 2. My closest friends approve of my decision to experiment with my business.	Ajzen (1991)
2.	Intention	1. I will conduct experiments on the business that I run. 2. I am ready to experiment with my business. 3. I will make various efforts so that I can experiment with my business. 4. I am serious about experimenting with my business.	Ajzen (1991)
3.	Experimental Behavior	1. I experiment with different products. 2. I experiment with different business models. 3. The product or service I am now providing is substantially different from what I previously imagined. 4. I tried a number of different approaches until I found a business model that worked.	Sarasvathy (2001); Chandler, DeTienne, McKelvie, Troy, Mumford (2011).

### 3. RESULT AND DISCUSSION

Before the data is analyzed, its validity and reliability are first tested. Table 2 presents the results of outer loading after removing the two indicators on the experimental behavior variable, namely "I experimented with various business models" and "The product or service I provide now is substantially different from what I previously imagined" because the value is smaller than 0.7. While the AVE value for the subjective norm variable, intention and experimental behavior is greater than 0.6 so that it meets the requirements.

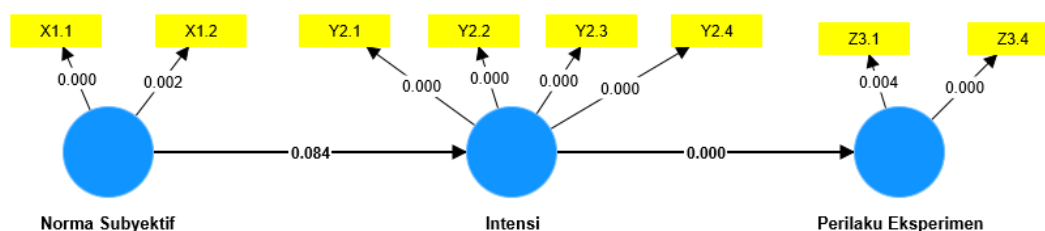
**Table 2.** Outer Loading

	Intention	Subjective Norm	Experimental Behavior
<b>X1.1</b>		0.930	
<b>X1.2</b>		0.835	

<b>Y2.1</b>	0.786
<b>Y2.2</b>	0.771
<b>Y2.3</b>	0.793
<b>Y2.4</b>	0.767
<b>Z3.1</b>	0.725
<b>Z3.4</b>	0.885

For reliability testing, Cronbach's alpha variables of intention, subjective norms and experimental behavior are greater than 0.7 so that they are declared reliable. While composite reliability, all variables tested are greater than 0.7 so that they are also declared reliable.

The test results using the bootstrapping method are presented in Figure 1 below:



**Figure 1.** Bootstrapping

Table 3 below summarizes the results of the tests that have been carried out.

**Table 3.** Test Results

	<b>Path Coefficient</b>	<b>Significance</b>
<b>Subjective Norm → Intention</b>	0.309	0.084
<b>Intention → Experimental Behavior</b>	0.445	0.000
<b>Subjective Norm → Experimental Behavior</b>	0.197	0.121

Based on Table 3, the first hypothesis, namely subjective norms affecting intention, is not supported by data because the significance value is 0.084 greater than 0.05. This is presumably because intention can also be influenced by attitudes and perceived behavioral control (Ajzen, 1991). In addition, respondents who are UKM owners do not depend on the intentions they have on close people around them.

The second hypothesis, namely intention influences experimental behavior, is supported by the data. This is in line with the theory put forward by Ajzen (1991) that intention is an indication of how hard a person is willing to try and strive for behavior. Experimental

behavior carried out by SME owners is influenced by their intentions. In research conducted by Haneberg (2020) [4] lessons from past experience lead to experimental behavior.

The third hypothesis, namely intention to mediate the effect of subjective norms on experimental behavior, is not supported by data. This is presumably due to the weak influence of subjective norms on intentions, and the exclusion of attitude variables and perceived behavioral control, which can also be determinants of intentions (Ajzen, 1991) [5].

#### **4. CONCLUSION**

Based on the previous description, it can be concluded as follows:

1. Subjective norms do not influence behavioral intentions.
2. Intention influences experimental behavior.
3. Intention does not mediate the effect of subjective norms on experimental behavior.

For further research it is recommended to add variables that also determine behavioral intention, namely attitudes and perceived behavioral control, as well as adding sample size so that the research results can be generalized.

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