

Entrepreneurship Orientation ASA Booster of Social Capital to Increase Marketing Performance of Small Medium Enterprises (SMEs)

Achmad Zaini¹, Diana Eka Poernamawati²

¹(Business Administration Department, State Polytechnic of Malang, Indonesia)

²(Business Administration Department, State Polytechnic of Malang, Indonesia)

Abstract:

Background: This study aims to analyze the role of entrepreneurship in mediating social capital to improve the marketing performance of SMEs. In previous studies, it was found that the social capital of SMEs together with the entrepreneurial orientation variable can improve marketing performance. However, under the condition that the majority of SMEs depend on intermediaries, does social capital still affect marketing performance, this is interesting to be researched.

Materials and Methods: This research was conducted in East Java, Indonesia on exporting SMEs in East Java who are incorporated as followers of the Facebook account: East Java SMEs until May 2021 as many as 19,100 followers, with a sample of 100 exporting SMEs. Research analysis using Partial Least Squares (PLS) method.

Results: The results of the study are: directly social capital has no effect on marketing performance but has an effect on entrepreneurship orientation, and entrepreneurship orientation has a significant positive effect on marketing performance. Indirectly social capital has a significant positive effect on marketing performance through entrepreneurship orientation. These results indicate that the role of the entrepreneurship orientation variable is very important in boosting the influence of social capital on marketing performance as a mediating variable.

Conclusion: The role of social capital variables in increasing marketing performance is largely determined by the role of the entrepreneurial orientation variable.

Key Word: Social Capital, Boosting, Entrepreneurship Orientation, Marketing Performance, East Java SMEs.

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I. Introduction

SMEs are the foundation of hope for creating job opportunities, maintaining and even increasing economic growth and as a source of foreign exchange through their export activities. SMEs actively save the economy by absorbing labor, sources of production and sources of livelihood. The existence of SMEs in an area encourages an increase in local products so that they can increase national products. An SME can survive in the long term if it is able to increase market growth, customer sales and profits. Small and Medium Enterprises (SMEs) are assets that strengthen the regional economy as well as become a medium for promoting the area [11].

The development of SMEs to be more advanced and integrated requires social capital in addition to financial capital. Social capital is an element of achieving social welfare as well as solving problems faced by entrepreneurs. Social capital is a social resource as well as an investment to get new resources in society [20]. Social capital plays an important role in strengthening the economic resilience of modern society [5]. However, in its application, social capital requires entrepreneurial skills so that the achievement of targets is maximized.

Entrepreneurial orientation variable can mediate social capital and innovation to improve marketing performance. Previous research found that social capital affects marketing performance [2]; [15]. Likewise, social capital affects innovation [11]; [12]. Social capital also influences entrepreneurship [8]. Another study conducted by [26] and [17] showed the results that entrepreneurial orientation had a direct effect on the company's marketing performance.

SME entrepreneurs must be creative and innovative in order to be successful [29]. SME entrepreneurs must be able to proactively identify ways to achieve and retain profitable customers through innovative approaches to risk management, resource effectiveness, and value development [20]. They must be able to develop an entrepreneurial spirit that includes the creation of new visions [28], opportunity exploration and risk

taking [23], innovation and organizational creation [6]. The ability of entrepreneurs to serve customers well by developing their entrepreneurial spirit and mastery of social capital can improve marketing performance, where the company's marketing performance can be measured through sales growth and market share.

East Java is one of the provinces in Indonesia which consists of 38 cities/regencies with a population of more than 40 million (Kompas.com, 2021). This province has a large number of SMEs and some of them have succeeded in penetrating export markets in various countries. Products are exported from various types of superior products in the form of handicrafts, food, clothing and accessories, furniture, metal goods and textiles, premium batik, home decoration crafts, leather products, premium coffee to processed fish and chili food [13]. SMEs need to be guided so that their potential and resilience are growing and existing obstacles can be minimized. This guidance is intended to improve the marketing performance of SMEs so that they are able to develop and become the country's economic strength.

II. Material And Methods

Population and Sample

The population of this study is all entrepreneurs or owners of Small and Medium Enterprises (SMEs) with export objectives in the East Java region, especially SMEs who are incorporated as followers of the East Java MSME Facebook account until May 2021 as many as 19,100 followers.

The sample in this study was determined using the Slovin formula [48] as follows:

$$n = \frac{N}{1 + Nd^2}$$

Note :

n = minimum sample size

N = population size

d = fault tolerance (sampling error)

Thus the number of samples taken are all entrepreneurs or owners of export SMEs who are members of the East Java SMEs Facebook account are: $n = 19.100 / (1 + (19.100 \times d^2)) = 99.48$ rounded up = 100 respondents

Data analysis

In this study, the PLS analysis tool was used for several reasons: PLS does not require a large number of samples. LS is appropriate for causal-predictive analysis in situations of high complexity and with low theoretical support. [7]. The path analysis model of all latent variables in PLS consists of three sets of relationships: (1) inner model, (2) outer model and (3) weight relation. PLS uses an iteration algorithm consisting of an ordinary least squares analysis series. .

Validity and Reliability Test

Confirmatory Factor Analysis, this study consists of 3 variables, 12 indicators and 41 items analyzed with PLS version 3. An indicator is declared valid if convergent validity has a minimum loading value of 0.7 [5], based on this parameter there are 5 items that are not The items used are: MS1.1, MS5.3, OK1.2, OK1.3 and OK2.1 items because they have a factor loading value of less than 0.7, so the items used for this research are only 36 items. but it does not affect the results of the analysis because all indicators are still represented by items. The reliability test is carried out using the Composite Reliability value, where the value must be above 0.70 and Cronbach's Alpha value is more than 0.70 [7], the calculation results show that all variables are valued above 0.70 and are reliable.

Research Concept Framework

The conceptual framework of the research begins with the assumption that in order for the social capital owned by SMEs to be utilized optimally, the company must have entrepreneurial capabilities so that it can improve marketing performance in the form of: growth in sales value, growth in the number of customers, growth in market share. [4]; [21]

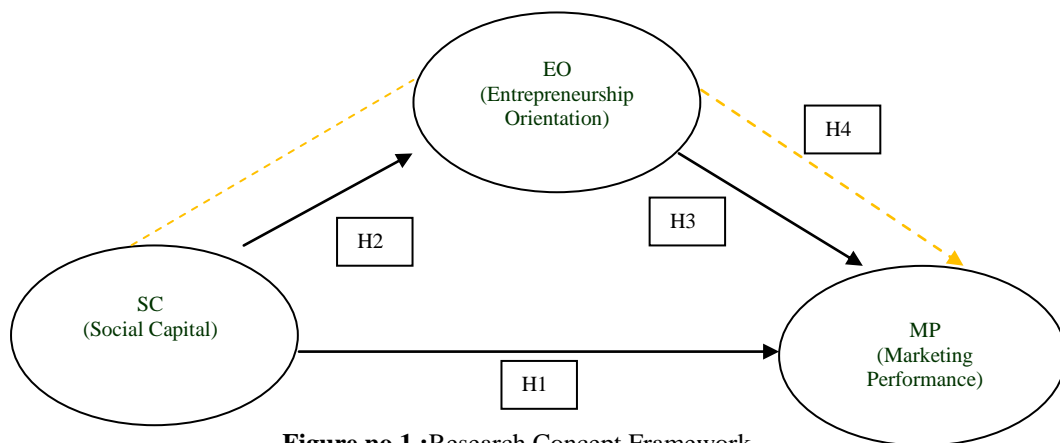


Figure no 1 :Research Concept Framework

III. Result

This research was carried out by distributing questionnaires in google form and distributed on the Facebook account of SMEs in East Java which can be seen and accessed by all followers with the hope that the number of questionnaires filled out by respondents exceeds the target of 100 respondents. During the questionnaire collection period, it was found that 327 respondents had filled out the questionnaire and returned it. Furthermore, to avoid questionnaires with incomplete answers, the accepted google forms were examined one by one and 303 questionnaires were obtained with complete entries. From this number, 100 respondents were taken according to the needs of the sample and devoted to SMEs that export their products abroad which are the main objects of this research. The research results are as follows:

Frequency Distribution of Respondents

Table no 1 :Frequency Distribution by Product

Kind of Product	Frequency(people)	Percentage (%)
Cultivation	2	2%
Garment	9	9%
Souvenir Craft	9	9%
Fruit Chips	3	3%
Furniture	5	5%
Machinery	1	1%
Food and Beverage Products	31	31%
Other	40	40%
Total	100	100%

Source: Primary data processed (2021)

Table no 2 :Frequency Distribution by Export Destination

Destination of Export	Frequency(people)	Percentage (%)
Asia	95	63%
America	3	2%
Australia	17	11%
Africa	1	1%
Europe	35	23%
Total	151	100%

Note: one SME may have more than one export destination country

Source: Primary data processed (2021)

Table no 3 :Frequency Distribution by Export Method

Method of export	Frequency(people)	Percentage (%)
Export by own	33	33%
By Intermediaries	65	65%
Both	2	2%
Total	100	100%

Source: Primary data processed (2021)

Direct and Indirect Effect

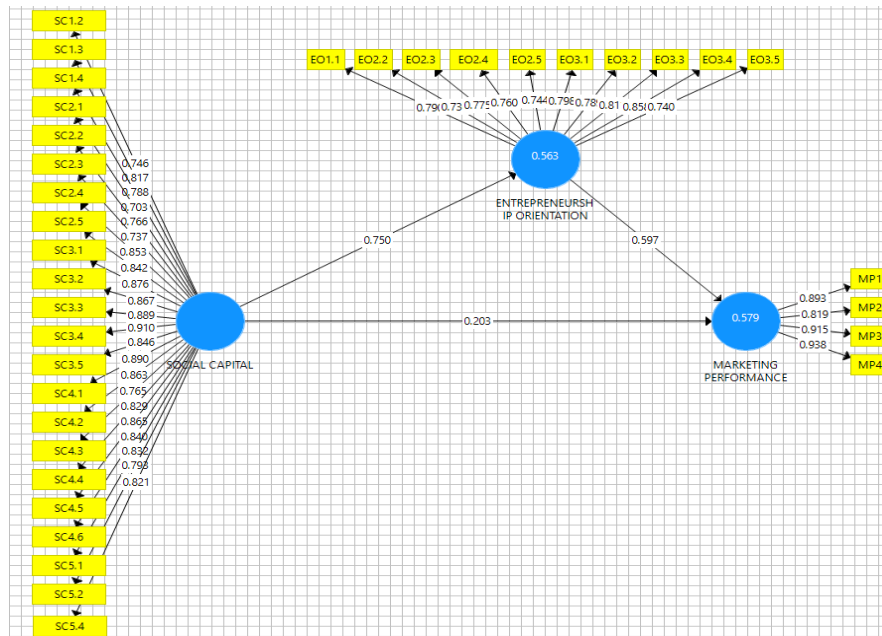


Figure no 2 : Research Result Framework

Table no 4 shows the values in the path coefficient, t-statistics and P-value columns for testing the direct effect hypothesis between variables. The results show that there are two significant correlations and the hypothesis is accepted, namely hypothesis 2 (H2), hypothesis 3 (H3). Furthermore, there are one correlations that have no effect and the hypothesis is rejected, namely hypothesis 1 (H1) the correlation between social capital and marketing performance.

Table no 4 :Direct Effect

Hypothesis	Correlation	Path Coeff.	t – Stat.	p- value	Remark	
H1	SC →MP	0.203	1,537	0.125	NotSig	rejected
H2	SC → EO	0,750	14.051	0.000	Sig	accepted
H3	EO →MP	0,597	4,731	0.000	Sig	accepted

Table no 5 shows the path coefficient values, t-statistics and P-values for testing the hypothesis of the indirect effect between social capital variables and on marketing performance through entrepreneurial orientation. The results show this correlation is a significant.

Table no 4 :Indirect Effect

Hypothesis	Variable			Path Coeff.	t – Stat.	P- Value	Remark	Character.
	Exog en	Mediator	Endogen.					
H4	SC	EO	MP	0,129	2,237	0.026	Sig	Mediation

Source: Primary data processed by PLS (2021)

IV. Discussion

Research Hypothesis Testing

Hypothesis testing 1: The effect of social capital on marketing performance

The results of testing hypothesis 1 (H1) show that there is no significant effect of social capital on the marketing performance of export SMEs in East Java. This result is indicated by the coefficient value of 0,203 and the t-count value of 1.537 which is smaller than the t-table value of 1.66071 with a p-value of 0.125 (significant at = 0.05).. These results explain that whatever is done by export SMEs in East Java by developing social capital does not affect marketing performance. This result is not in line with the opinion of [23] which states that at the microeconomic level, including Small and Medium Enterprises (SMEs), social capital can improve the functioning of the market. The influence of social capital on company performance causes: increased trust thereby reducing transaction costs, sharing risk through social networks, distributing information evenly so that information inequality can be avoided and able to stimulate community members to solve problems collectively. Furthermore, social capital as an actual or potential resource can create lasting networks that institutionalize mutually beneficial relationships within the community. Social networks are oriented towards the institutionalization of trusting community relationships in order to gain profit [16].

The results of this study are inconsistent with research from [10] and [22] which found that social capital has a significant effect on marketing performance. This finding shows that the ability of SME entrepreneurs to develop: network relationships, social networks, social cohesion, trust and social norms cannot affect marketing performance in encouraging: growth in sales value, growth in the number of customers, growth in market share, increasing company profits.

Hypothesis testing 2: The Effect of Social Capital on Entrepreneurship Orientation

Testing on hypothesis 2 (H2) found that social capital has a significant effect on the entrepreneurial orientation of export SMEs in East Java with a coefficient value of 0.750 and a t-statistic value of 14,051. This value is greater than the t-table value of 1.66071 with a p-value of 0.000 (significant at = 0.05). Equality without discrimination between fellow entrepreneurs, being honest between fellow entrepreneurs and carrying out shared values that have been agreed upon can develop their entrepreneurial activities. In developing social capital, SME respondents always follow the rules and norms adopted by SME entrepreneurs inside and outside the community. Respondents believe that social capital is a logical consequence that must be done so that the goals of SMEs to be accepted and develop within and outside the SME community can be carried out in a sustainable manner. Furthermore, the respondents also believe that by having social capital they are able to cooperate with partners and together beat competitors. SME entrepreneurs must develop social capital through the development of: network relationships, social networks, social cohesion, trust and social norms to expand their entrepreneurial relationships. SMEs entrepreneurs see social capital as a lever for the success of entrepreneurial activities, because in social capital there are values of cooperation.

The results of this study are consistent with the findings in the research of [3] and [1] which state that social capital has a significant positive effect on entrepreneurship. These results indicate that the development of social capital which includes: network relationships, social networks, social cohesion, trust and social norms can increase SME entrepreneurship. SME entrepreneurship that can be encouraged include: autonomous ability, courage to take risks, proactive action

Hypothesis testing 3: The effect of entrepreneurial orientation on marketing performance

The results of testing hypothesis 3 (H3) prove that there is a significant positive effect of entrepreneurial orientation on marketing performance. This result is indicated by the coefficient value of 0.597 and the t-count value of 4,731 which is greater than the t-table value of 1.66071 with a p-value of 0.000 (significant at = 0.05). This finding shows that export SMEs in East Java, which mostly depend on intermediaries (65%) really need to carry out entrepreneurial-oriented activities by implementing, among other things: autonomy, by encouraging employees to always prioritize their work. Then SMEs also need to encourage the courage to take risks by: treating situations of uncertainty as a challenge, encouraging employees

to enter unknown marketing areas, accepting implementation failures, emphasizing opportunities for success over failure and considering business failure as a lesson. In addition, SME entrepreneurs also need to act proactively by regularly: looking for new opportunities, introducing new products, being responsive to business opportunities, looking for opportunities to improve performance and getting ahead of competitors in responding to market challenges. By carrying out these entrepreneurial-oriented activities, SME entrepreneurs can improve their marketing performance.

The results of this study are consistent with research from [18], [8] and [14] which found that entrepreneurial orientation has a significant effect on marketing performance. On the other hand, the results of this study are inconsistent with research from [25], which found that the entrepreneurial orientation variable had no significant effect on marketing performance. The results of this study are in line with the opinion of [30] which states that entrepreneurial activities are activities to create new businesses by taking risks and uncertainties in order to achieve performance in the form of profits and company growth. Furthermore, this finding is also in line with the opinion of [42] who argue that entrepreneurial activity is the process of using organized business and means to pursue opportunities to create value and grow by meeting the company's wants and needs.

Hypothesis testing 4: The effect of social capital on marketing performance through entrepreneurial orientation

Testing hypothesis 4 (H4) shows the finding that there is a significant positive effect of social capital on marketing performance through entrepreneurial orientation with a coefficient value of 0.448 with a t-statistic value of 4,558 which is greater than the t-table value of 1.66071 and a p-value of 0.000 (Table 5.17) (significant at $\alpha = 0.05$). These results indicate that previously, social capital had no significant effect on marketing performance (the result of hypothesis 1), but after utilizing the entrepreneurial orientation variable as a mediator the results became significantly influential.

These results prove that the actions of SME entrepreneurs to exercise autonomy in decision making, and be proactive in solving problems and dare to take risks in their business activities are able to help social capital variables to encourage increased marketing performance. SME efforts to do entrepreneurship by acting: autonomous, willing to take risks and proactively can mediate social capital to improve marketing performance. By carrying out entrepreneurial activities in mediating social capital variables, SMEs can maximize: network relationships, social networks, social cohesion, trust and social norms that are owned to improve marketing performance including growth: sales value, number of customers, market control, and increasing company profits. .

These results are consistent with the research findings of [23] and [10] which found that social capital has a significant effect on marketing performance through entrepreneurial orientation. The role of entrepreneurial orientation in influencing company performance has been proven in various previous studies. This strengthens the results of this study of SMEs in East Java where the role of entrepreneurial orientation is also a mediator of social capital variables on marketing performance. The results of this study are in line with the opinion of [2] who say that the entrepreneurial spirit with a proactive attitude, likes to work, is able to opportunity, full of motivation and self-efficacy has a positive effect on business growth (performance).

V. Conclusion

This study proves that the role of social capital variables in supporting marketing performance is largely determined by the role of the entrepreneurial orientation variable. Directly social capital has no effect on marketing performance but has an effect on entrepreneurial orientation, and entrepreneurial orientation has a significant positive effect on marketing performance. The role of entrepreneurial orientation in this study is to increase the influence of social capital on marketing performance by utilizing this variable as a mediator

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