The Role of Mediating Innovation and Social Media: Market Orientation and Entrepreneurial Orientation on the Performance of MSME’s Processed by Sea Products in Labuan Village, Banten

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ABSTRACT

This study aims to see the effect of mediating innovation and Social Media that connects Market Orientation and Entrepreneurial Orientation to the Performance of MSMEs Processed by Sea Products in Labuan Banten Village. This study uses quantitative. The unit of analysis in this study is the perpetrators of MSMEs Processed Sea Products in Labuan Banten Village. This research was conducted on 135 and using the statistical tool SmartPLS 3.0 The results of this study emphasize that innovation can mediate the relationship between Market Orientation and Entrepreneurial Orientation and Social Media can mediate the relationship between Market Orientation but cannot mediate Entrepreneurial Orientation. In addition, market orientation affects the performance of marine processed SMEs in Labuan - Banten, entrepreneurial orientation affects the performance of marine processed SMEs in Labuan - Banten, innovation affects the performance of SMEs, social media orientation affects the performance of SMEs, market orientation affects the performance through innovation, entrepreneurial orientation affects the performance of SMEs mediated by innovation.
INTRODUCTION

Today’s business uncertainty has an impact on most of the culinary and seafood businesses in Indonesia. This situation makes business people must be able to adapt and survive in the midst of competitive and dynamic environmental changes (Mohammad, 2019) in the marine processed industry. According to (Suratman, 2021) the potential of Indonesian fishery products reaches $1.14 billion. This becomes an important factor as an increase in welfare both individually and nationally if it can be managed properly. Labuan Banten is one of the many areas in Indonesia that has great potential for marine products. According to (Statistics, 2022) Labuan is known for its abundant marine products with an area of 2,746.89km² making marine products the main source of livelihood. However, with the potential of natural resources, both agriculture and tourism, which are very significant, there are still many problems. According to (Judge, 2019) kab. Pandegelang is the district with the poorest population compared to other cities and regencies in Banten province.

Optimal utilization of marine products is an alternative way for Pandegelang Regency to be able to grow and develop. Utilization of marine products not only sells fish and marine products directly but can also add value from these goods into processed marine products such as snacks and other processed fish products. However, in practice the low market orientation and entrepreneurialism of MSME actors as well as innovation and the role of social media in this industry are the reasons for the low performance of MSME actors so that economic welfare in the area is still low. Performance is an important measure for MSMEs to survive, grow and develop. Several studies have found that performance is influenced by several factors, including market orientation (Arief & Rosiawan, 2009; Masa’deh, 2018; Raj & Srivastava, 2013) (Kohli & Jaworski, 1990), entrepreneurial orientation (Shah & Ahmad, 2019; Sirén et al., 2017), Innovation (Ryiadi & Yasa, 2016) and social media (Garcia-morales et al., 2017; Nguyen et al., 2022).

THEORETICAL REVIEW

MSME Performance

According to (Bekti, 2019) MSME performance is the result or evaluation of the company's work achieved by the group in accordance with their duties for a certain period in accordance with the targets and SOPs that have been determined by MSMEs. This means that the performance of MSMEs is a measurable and directed performance to achieve MSME's goals, namely obtaining financial and non-financial performance.

Market orientation

Orientation is a market identification activity, including identifying current and future consumer needs as a reference for companies to act (Manahera et al., 2018) Market orientation can also be interpreted as part of how companies run their marketing concepts (Arief & Rosiawan, 2009).
Orientation entrepreneurial

Orientation is part of the innovation process regarding products and markets that are taken by business actors by considering risks to create a competitive advantage (Manahera et al., 2018). This means that entrepreneurial orientation is a condition where individuals tend to innovate, be proactive, and willing to take risks to start or manage a business.

Innovation

Innovation is an idea, method or object and is not limited to products and services that are perceived as something new (Siagian & Ikatrinasaari, 2019). Innovation can be said as something that is completely new on the basis of the thoughts or views of people saying that the ideas or actions are new. Innovation is a new idea that is applied to initiate or improve a product, process or service (Rahmat et al., 2021).

Social Media Orientation

According to (Mount, 2010) social media is a set of online tools that are open to public membership and that support sharing ideas, creating and editing content, and building relationships through interaction and collaboration. Social media is based on a set of Internet-based applications that enhance the development of ingested content and provide a forum for interaction between users. The effect of market orientation on innovation has been widely carried out by previous researchers and gave positive results (Jiménez-Jimenez et al., 2008) where the higher the market orientation, the higher the innovation in the organization. According to research conducted by (Manahera et al., 2018) it contributes where there is an influence between entrepreneurial orientation on innovation.

Based on this argument, it can be concluded that the hypothesis:

H1a: Market orientation affects MSME Innovation
H1b: Entrepreneurial Orientation affects MSME innovation

According to (Johnstone et al., 2019) Social media makes it easy for companies to involve consumers in a timely and direct manner at low costs relatively low and a higher level of efficiency than other traditional means of communication. According to (Dutot, V., & Bergeron, 2016) entrepreneurial orientation can improve performance as well as market orientation.

H2a: Market orientation affects MSME Social Media Orientation
H2b: Entrepreneurial Orientation affects MSME Social Media Orientation

Performance is an important part in an organization (Rianto et al., 2021). Several factors that determine performance is market orientation. Where the higher the market orientation, the higher the organizational performance (B, 2016) (Manahera et al., 2018) (Arief & Rosiawan, 2009). Another factor that is an important part in improving the performance of SMEs is entrepreneurial orientation. According to (Manahera et al., 2018; Ryiadi & Yasa, 2016) the higher
the entrepreneurial orientation in an organization will improve organizational performance.

The same is true of the influence of innovation in influencing the performance of MSMEs, where the higher the innovation in MSMEs, the higher performance (Khalil & Mehmood, 2018) (Shah & Ahmad, 2019). The same thing is also the effect of social media orientation on performance where the higher social media orientation carried out by food organizations will improve the performance of MSMEs (Nguyen et al., 2022)

\[ H3 : \text{Market orientation affects the performance of MSMEs} \]
\[ H4 : \text{Entrepreneurial orientation affects the performance of MSMEs} \]
\[ H5 : \text{Innovation affects MSME performance} \]
\[ H6 : \text{Social Media Orientation affects MSME performance} \]

According to (Devara satya Komang, 2019; Iqbal et al., 2019; Ryiadi & Yasa, 2016) that innovation plays an important role in mediating market orientation and entrepreneurial orientation in improving performance. Research that (Zhou, 2014) contributed to research on MSMEs which found that social media played a significant mediating role in performance. Social media makes it easy for companies to engage consumers in a timely and direct manner at a relatively low cost and a higher level of efficiency than other traditional communication tools.

\[ H7 : \text{Market orientation affects MSME performance mediated by Innovation} \]
\[ H8 : \text{Entrepreneurial orientation affects MSME performance mediated by Innovation} \]
\[ H9 : \text{Market orientation affects MSME performance mediated by Social Media} \]
\[ H10 : \text{Entrepreneurial orientation affects MSME performance mediated by Social Media} \]

The framework of thought is an important part in the research process to describe the relationship between variables in research. This research is divided into 2 research models.

**Figure 1. Conceptual Framework.**

**METHODOLOGY**

Research using a quantitative approach by using numbers as the basis for making research decisions. This study took the perpetrators of MSMEs processed by sea in the village of Labuan Banten. This study uses a sample that refers to research (Joseph F. Hair Jr. William C. Black & Anderson, 2014) where the
number of statement items in this study is 27 statement items so that the minimum sample that can be taken is 135 respondents. All independent variables in the study were measured based on references from previous studies. The instrument of market orientation is adopted from research (Narver & Slater, 1990) with 5 statement items. Entrepreneurial orientation adopted from research (Lumpkin & Dess, 1996) with 5 statement items. Innovation adopted from previous research from (Chang et al., 2007) and social media innovation was adopted from research (Dutot, V., & Bergeron, 2016) with 5 statement items. The dependent variable in this study was adopted from research (Rianto et al., 2021) with 7 statement items. This study uses SmartPLs to test the research instrument and test hypotheses to draw conclusions in this study.

RESULTS

Result of Outer Model Test

The initial stage in this research is to test the research instrument by testing the outer model. The purpose of the outer model test is to see the validity and reliability of the research instrument. According to (Beckett et al., 2017) the data is said to meet the validity requirements if the loading factor value is above 0.7 and the reliability value is above 0.8. According to (Ghozali, 2016) the instrument that meets the research requirements is if the average variance extracted (AVE) value is above 0.5.

Figure 2: SmartPLs Outer Model Test.

Based on the outer model test above, it can be concluded that the market orientation instrument variable has a value above 0.7, while the entrepreneurial orientation variable item statement 2 must be eliminated because it does not meet the requirements. The innovation variable must eliminate statement items number 2 and 4 because it does not meet the requirements, while the social media
orientation variable all statement items meet the requirements without being eliminated. The performance variable must eliminate item no 1 because it does not meet the requirements of this study. Test results in this study used the results of the outer model test. Based on the results of the validity test, all statement items meet the requirements > 0.7 and there are several items from the statement that must be eliminated because they do not meet the validity requirements.

Table 1: SmartPls 2022 data processing

<table>
<thead>
<tr>
<th></th>
<th>Cronbach’s Alpha</th>
<th>rho_A</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneur Orientation</td>
<td>0.845</td>
<td>0.872</td>
<td>0.895</td>
<td>0.681</td>
</tr>
<tr>
<td>Innovation</td>
<td>0.832</td>
<td>0.844</td>
<td>0.900</td>
<td>0.750</td>
</tr>
<tr>
<td>Market Orientation</td>
<td>0.890</td>
<td>0.905</td>
<td>0.919</td>
<td>0.696</td>
</tr>
<tr>
<td>Performance</td>
<td>0.910</td>
<td>0.921</td>
<td>0.930</td>
<td>0.689</td>
</tr>
<tr>
<td>Social Media Orientation</td>
<td>0.937</td>
<td>0.943</td>
<td>0.952</td>
<td>0.799</td>
</tr>
</tbody>
</table>

Based on the reliability test results above, it can be concluded that Cronbach’s Alpha has a value above 0.8, meaning that all variables are reliable and the AVE value is above 0.5 so that this study can be concluded that it meets the criteria for the instrument test that meets the appropriate data requirements to be tested at a later stage.

Inner Model Test Results Direct Effects

Inner model is a test used to answer the hypothesis and draw conclusions from the research data that has been collected. The following is the result of the direct influence between the independent variable and the dependent variable.

Table 2: The hypothesis and draw conclusions.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Original Sample (O)</th>
<th>Sample Mean</th>
<th>Standard Error</th>
<th>T Statistics (O)</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneur Orientation -&gt; Innovation</td>
<td>1.040</td>
<td>1.038</td>
<td>0.014</td>
<td>73.394</td>
<td>0.000</td>
</tr>
<tr>
<td>Entrepreneur Orientation -&gt; Performance</td>
<td>-1.429</td>
<td>-1.492</td>
<td>0.336</td>
<td>4.252</td>
<td>0.000</td>
</tr>
<tr>
<td>Entrepreneur Orientation -&gt; Social Media Orientation</td>
<td>0.134</td>
<td>0.132</td>
<td>0.081</td>
<td>1.654</td>
<td>0.099</td>
</tr>
<tr>
<td>Innovation -&gt; Performance</td>
<td>1.573</td>
<td>1.630</td>
<td>0.355</td>
<td>4.434</td>
<td>0.000</td>
</tr>
<tr>
<td>Market Orientation -&gt; Innovation</td>
<td>-0.066</td>
<td>-0.064</td>
<td>0.017</td>
<td>3.810</td>
<td>0.000</td>
</tr>
<tr>
<td>Market Orientation -&gt; Performance</td>
<td>0.410</td>
<td>0.421</td>
<td>0.106</td>
<td>3.871</td>
<td>0.000</td>
</tr>
<tr>
<td>Market Orientation -&gt; Social Media Orientation</td>
<td>0.654</td>
<td>0.656</td>
<td>0.070</td>
<td>9.368</td>
<td>0.000</td>
</tr>
<tr>
<td>Social Media Orientation -&gt; Performance</td>
<td>0.227</td>
<td>0.221</td>
<td>0.079</td>
<td>2.868</td>
<td>0.004</td>
</tr>
</tbody>
</table>

Based on the results of the inner model test above, it can be concluded that: Market orientation has an effect on innovation where H1a is accepted with a P-value of 0.000 <0.05. H1b hypothesis is accepted where entrepreneurial orientation affects innovation with a p value of 0.000 <0.05, H2a market orientation affects social media orientation where with a p value of 0.000 <0.05. but different things in H2b are rejected where entrepreneurial orientation has no effect on social media orientation with a p value of 0.099 > 0.05. This study also found that market orientation had an effect on performance. H3 was accepted with a p-value of 0.000 <0.05, entrepreneurial orientation also had an effect on
performance. H4 was accepted where p-value was 0.00 < 0.05. The same thing also found that innovation (p-value 0.000 < 0.005) and social media orientation (p-value 0.004 < 0.05) had an effect on performance so that H5 and H6 were accepted.

The results of the Inner Model Indirect Effect In addition to the direct influence of the inner model in the SmartPLS test, it will also answer the indirect effect, namely the mediating role of the innovation variable and social media orientation. The following is the result of the indirect influence of each variable:

Table 3: The direct influence of the inner model.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Original</th>
<th>Sample</th>
<th>Standard</th>
<th>T Statistic</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneur Orientation -&gt; Innovation -&gt; Performance</td>
<td>1.636</td>
<td>1.622</td>
<td>0.344</td>
<td>4.762</td>
<td>0.000</td>
</tr>
<tr>
<td>Market Orientation -&gt; Innovation -&gt; Performance</td>
<td>-0.103</td>
<td>-0.101</td>
<td>0.034</td>
<td>3.030</td>
<td>0.003</td>
</tr>
<tr>
<td>Entrepreneur Orientation -&gt; Social Media Orientation -&gt; Performance</td>
<td>0.031</td>
<td>0.033</td>
<td>0.025</td>
<td>1.241</td>
<td>0.215</td>
</tr>
<tr>
<td>Market Orientation -&gt; Social Media Orientation -&gt; Performance</td>
<td>0.149</td>
<td>0.150</td>
<td>0.056</td>
<td>2.677</td>
<td>0.008</td>
</tr>
</tbody>
</table>

Based on the results of this study it can be concluded that, market orientation affects performance mediated by innovation where P value has a value of 0.003 < 0.05 which means H7 received. The same thing also found that the mediating role of innovation which has an influence between entrepreneurial orientation and performance with a p value of 0.000 < 0.05 where H9 is accepted. Market orientation also affects performance through social media orientation where the p value is 0.008 < 0.05 so that the H8 hypothesis is accepted, but the results are different on the influence of entrepreneurial orientation on performance mediated by social media orientation where the p value is 0.215 > 0.05 so hypothesis H10 is rejected.

DISCUSSION

Based on the results of the research above, it can be concluded that hypothesis 1 (H1a) is accepted where market orientation has an effect on innovation. This study further strengthens the previous research conducted by (Jiménez-Jimenez et al., 2008). This study also found that the higher the market orientation that can be done by the business actors of processed seafood in the village of Labuan and vice versa. This can happen when business actors know and are oriented to the target market, business actors will innovate to increase the competitive advantage that their business must have.

Hypothesis (H2a) is accepted where market orientation has an effect on innovation. This means that the higher the market orientation, the higher the social media activities carried out and vice versa. This research is in line with the research conducted by xxxxxxxxx. This makes it possible when the actors already understand the market orientation that has been targeted, then promotional media such as social media will become an important part of the marketing process. Based on the results of observations, MSME actors have used social media orientation to carry out sales promotions, but because the market orientation is still
biased, the social media used is not effective and on target. Hypothesis H2b is rejected where entrepreneurial orientation has no effect on innovation. This research is in line with previous research conducted by xxxxxxx. The perpetrators of marine processed MSMEs with low education and experience and low entrepreneurial spirit have not been able to change their mindset. Therefore, many MSME actors are still promoting in the traditional way: door to door or selling directly along the Carita and Labuan beaches - Banten.

Hypothesis H3 is accepted, meaning that market orientation affects the performance of MSMEs processed by sea in Labuan - Banten. This research is in line with previous research conducted by (Arief & Rosiawan, 2009; Manahera et al., 2018; Ngek Neneh, 2016) which means that the higher the market orientation that can be done by MSME actors, the higher the MSME performance and vice versa. This research further strengthens the low performance of MSMEs on marine processed products in the village of Labuan Banten, namely because there is still a bias in targeting the product to be marketed, the absence of positioning and segmenting of the product. Hypothesis H4 is accepted, meaning that Entrepreneurial orientation has an effect on the performance of marine processed SMEs in Labuan - Banten. This study is in line with research (Manahera et al., 2018; Ryiadi & Yasa, 2016). This finding further strengthens the higher entrepreneurial orientation owned by business actors, it will improve the performance of MSMEs. This finding is also in line with the findings in the field that the lack of an entrepreneurial spirit possessed by business actors with low levels of education and traditional entrepreneurial experience makes the performance of business actors still not optimal.

Hypothesis H5 is accepted where innovation has an effect on the performance of MSMEs. This result is supported by previous research conducted by (Khalil & Mehmood, 2018; Shah & Ahmad, 2019) meaning that the higher the innovation carried out, the higher the performance of MSMEs and vice versa. This result is also in line with field observations where innovation carried out by business actors is still low due to limited experience and supporting facilities so that the performance of the actors is still low. Hypothesis H6 is accepted where social media orientation affects the performance of SMEs. This research is in line with research (Nguyen et al., 2022) which means that the higher the social media, the higher the performance and vice versa. The results of this study explain the phenomenon of social media orientation carried out by business actors which is still not effective so that the performance of MSMEs is still low.

Hypothesis H7 is accepted where market orientation affects performance through innovation. This research is in line with research conducted by (Dutot, V., & Bergeron, 2016) where the role of innovation further strengthens the performance of MSMEs. This result further strengthens the low performance of MSMEs because they are still missing the target so that the innovations carried out are only able to have a small impact and have not been maximized. Hypothesis H8 is accepted where market orientation affects MSME performance mediated by social media orientation. This is possible because when the role of social media orientation is able to influence market orientation on performance because with social media, the distribution channel of promotion will be more effective and
efficient and reach everyone who is connected to social media. Hypothesis H9 is accepted, meaning that entrepreneurial orientation has an effect on the performance of MSMEs mediated by innovation. This study illustrates the importance of the role of innovation in the product and service development process. A high entrepreneurial spirit will make it easier to create something new and have a competitive advantage so that it will affect the performance of the MSME. Hypothesis 10 is rejected, which means that entrepreneurial orientation has no effect on performance mediated by social media orientation. This research is in line with field observations. The low education and experience of MSME actors always has a negative impact on the use of social media because most marketing activities are still carried out traditionally or manually so that it will affect MSME performance which is also low.

CONCLUSIONS AND RECOMMENDATIONS
Overall, market orientation and entrepreneurial orientation have an effect on innovation. The same results also found that market orientation had an effect on social media orientation but different results on entrepreneurial orientation. Market orientation, entrepreneurial orientation, innovation and social media orientation affect the performance of MSMEs. The mediating role of innovation is able to influence the relationship between market orientation and entrepreneurial orientation on performance. However, the mediating role of social media orientation is only able to influence the relationship between marker orientation and performance, but entrepreneurial orientation has no effect.

FURTHER STUDY
This research is still far from perfect so it needs the development of further research. The researcher hopes that further research will be able to examine different sectors with a wider range of respondents. Researchers also hope that further research can take into account aspects of technology orientation as a variable that is able to describe the effects of advances from current technology.

REFERENCES


Rianto, Woestho, Fikri


