

Analysis of Marketing Strategy and Social Capital on the Performance of Batik MSMEs in Sidoarjo After-Covid-19 Pandemic

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ABSTRACT

After-COVID-19 pandemic, MSMEs need to restructure strategies and overcome the impacts resulting from restrictions. Many of them experienced severe economic pressure due to mobility restrictions, decreased demand, and rapid changes in consumer behavior. The context of this research directs the researcher to focus on MSMEs engaged in the batik industry. The study will concentrate on marketing strategies and social capital as key factors influencing the performance of batik MSMEs. Adaptive and innovative marketing strategies, including the use of digital technology, become crucial in maintaining competitiveness. On the other hand, social capital, which encompasses networks, norms, and trust, can be valuable assets in facing challenges. This research will investigate how batik MSMEs implement marketing strategies and leverage social capital in dealing with the pandemic's impact. The population and sample in this study were the owners/leaders/managers of batik in Sidoarjo as many as 60 respondents. The analysis technique used in this research is SEM (structural equation model) - PLS (Partial Least Squares). The findings in this study indicate that marketing strategies have a positive effect on the performance of MSMEs, then social capital also has a positive effect on the performance of MSMEs, then marketing strategies affect innovation through performance and also social capital affects innovation through performance.

INTRODUCTION

In Indonesia, MSMEs play a crucial role as the backbone of the economy. However, it is disheartening to see them severely impacted by the COVID-19 pandemic, experiencing not only a decline in revenue but also a decrease in production and trade values. Moreover, many MSME workers have lost their jobs (Soetjipto, 2020). This situation requires immediate attention, as neglecting it could lead to the further deterioration of MSMEs, diminishing their presence. On the other hand, MSMEs are vital to the national economy. To address the various challenges faced by MSMEs, appropriate marketing strategies are essential to ensure their revival and continued existence. Effective marketing strategies can help MSMEs remain operational even in the challenging circumstances caused by the pandemic. The need for precise marketing strategies becomes even more critical in such turbulent business environments.

The COVID-19 pandemic has been one of the greatest challenges for MSMEs worldwide. Many have faced severe economic pressures due to mobility restrictions, reduced demand, and rapid changes in consumer behavior. Hence, adaptive and innovative marketing strategies are key to maintaining business sustainability. MSMEs need to thoroughly understand their market and consumer segments. This involves an in-depth analysis of consumer needs, preferences, and behavioral changes during the pandemic, allowing MSMEs to direct their marketing efforts more effectively. It is crucial to appreciate the profound role that Micro, Small, and Medium Enterprises (MSMEs) play in nurturing Indonesia's economic landscape. Within this context, governmental support emerges as a cornerstone, ensuring that MSMEs can not only bolster the Gross Domestic Product (GDP) but also address unemployment challenges and supplant consumption of semi-finished goods. Data from the Ministry of Cooperatives and SMEs paints a poignant picture, revealing the plight of some 37,000 SMEs adversely affected by the COVID-19 pandemic. The narrative underscores the formidable challenges confronting MSMEs, with 56% witnessing a downturn in sales, 22% grappling with capital constraints, 15% encountering distribution hurdles, and 4% struggling to procure raw materials. MSMEs must exhibit resilience in navigating these turbulent waters. Take, for instance, the batik industry, where the ravages of the COVID-19 crisis have compelled MSME stakeholders to weather an intensifying storm of product competition. The decline in batik sales is emblematic of a broader shift in consumer behavior, marked by heightened price sensitivity, a departure from pre-pandemic norms.

Table 1: Data on the Use of Marketing Strategies by MSMEs in Sidoarjo City/Regency (2020-2022)

Marketing Strategy	Implementation (in number of actors)	
	Self-reliance	Partnership
Digital Marketing	12	15
MSME Exhibitions	-	22

Marketing Strategy	Implementation (in number of actors)	
	Self-reliance	Partnership
Collaboration with Third Parties	2	5
Product Innovation	-	4

Source: Results of interviews with Batik Entrepreneurs and Craftsmen (2023)

Beyond the realm of marketing strategies, lies a profound force that sustains the essence of Micro, Small, and Medium Enterprises (MSMEs) - social capital. Drawing from the philosophical insights of Pierre Bourdieu as elucidated in Field (2011), social capital emerges as an intricate tapestry woven from the threads of enduring network connections, wherein lie the treasures of mutual recognition and institutionalization, both tangible and latent. In a parallel vein, Robert D. Putnam's discourse, captured within Field (2011), unveils social capital as the beating heart of communal existence, encompassing the intangible essence of networks, norms, and trust, which harmonize collective efforts towards shared aspirations. Similarly, Herdiyanti (2017) echoes this sentiment, portraying social capital as a reservoir brimming with the shared values and informal norms that foster profound collaboration among group members. Yet, at its essence, social capital transcends the mere sum of its parts, encapsulating the intricacies of human behavior - the propensity for collaboration, the art of collective engagement, and the unwavering commitment to communal goals, as expounded by Suryono in the works of Ramadhan and Sukarno (2021). It embodies the delicate dance of interpersonal dynamics, norms, and trust, weaving a narrative of unity that empowers synchronized endeavors and fosters mutually enriching partnerships. However, amidst the tapestry of social capital, entrepreneurs in the realm of MSMEs often find themselves navigating turbulent waters, their ventures stymied by the specter of stagnation.

Table 2: Collaborative Activities and Partnerships of Batik MSMEs in Sidoarjo City/Regency Area in 2020-2022

Partnership Activity	Number of Partnership Events
Joint Exhibition 2020	5
Joint Exhibition 2021	8
Joint Exhibition 2022	12

Table 2 illustrates the collaborative activities and partnerships that occurred within the Batik MSME sector in the Sidoarjo City/Regency area during the period from 2020 to 2022. This table lists the number of partnership events held each year in the form of joint exhibitions. In 2020, there were five joint exhibition events involving Batik MSMEs in the area. This indicates initial efforts in developing partnerships and collaborations among Batik MSME actors. In 2021, the number of joint exhibition events increased to eight, signifying progress and an increase in partnership activities within the Batik MSME sector. This may

reflect an increased interest from Batik MSME actors to collaborate, as well as a positive response from other parties in supporting this sector. In 2022, the number of joint exhibition events reached 12, indicating a sustainable growth trend in partnership activities within the Batik MSME sector. This could indicate that partnerships have become an integral part of supporting and promoting Batik MSMEs in the area.

Sidoarjo is known for its productive and diverse human resources, which drive significant growth in small industries. This fact illustrates that the industrial sector has become one of the main pillars of Sidoarjo's economy, alongside the fisheries sector, which also plays an important role. Some of these include the sandal and shoe industry center in Waru, the copper and bag industry center in Tanggulangin, and the crackers industry center in Tulangan. Additionally, there is also the famous Shoe Village in Krian, among others. These small industries take the form of the creative potential of local craftsmen. The success and growth of these industries are a real manifestation of the concept of the creative economy. Essentially, the creative economy refers to the utilization of human intelligence and talent to create added value in the form of unique products and services. The creative industries in this regard encompass a wide range of fields, from handicrafts to information technology and design.

The context of this research directs the researcher to focus on MSMEs engaged in the batik industry. The batik MSMEs that are the focus of this research produce and sell batik with a price range between Rp 200,000 to Rp 1,000,000 per piece of batik. This price range features premium characteristics aligned with the excellent quality of batik produced by these MSMEs. Alongside the focus on batik MSMEs, it should be noted that higher selling prices often reflect higher quality and aesthetic value as well. Therefore, these batik MSMEs target a market that appreciates batik as a culturally valuable product. This also indicates that these MSMEs are targeting a more selective market segment, which can influence the marketing strategies they apply to maintain their existence and competitiveness. To understand the performance journey of batik MSMEs in Sidoarjo over the past three years, the data can be explained through the following table:

Table 3: Batik Sales Turnover in MSMEs in Sidoarjo

Years	Turnover
2022	Rp 5.000.000 - Rp10.000.000
2021	Rp 5.000.000 - Rp7.000.000
2020	< Rp 5.000.000

Source: Interview Results, 2023

From the tableau presented above, a narrative of resilience and adaptation emerges, as the turnover of batik sales charts a course of ascension over the past triennium. Yet, amidst this upward trajectory, the somber shadows of 2021 and 2020 cast a pall, bearing witness to the formidable toll exacted by the Covid-19 pandemic. Within the labyrinth of this global crisis, MSMEs, including the storied batik artisans of Sidoarjo, have encountered trials aplenty, with dwindling sales figures serving as poignant testament to their struggles. Based on the explanation, the purpose of this research is to determine the influence of

Marketing Strategy and Social Capital on the Existence of Batik MSMEs In Ssidoarjo After-Covid-19 Pandemic.

LITERATURE REVIEW

Theories and Previous Research

Covid-19 is a virus that causes illnesses ranging from mild to severe symptoms. Two types of coronaviruses, MERS and SARS, are known to cause severe symptoms. Covid-19 is a new type of disease not previously identified in humans, caused by the Sars-CoV-2 virus. Coronaviruses are zoonotic, meaning they are transmitted between animals and humans (Kementerian Kesehatan, 2020). A pandemic is a disease that spreads globally across vast geographic areas. According to the World Health Organization (WHO), a pandemic is defined by its geographic spread rather than the severity of the disease or the number of cases or deaths it causes (Maharani, 2020).

Furthermore, based on Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises, Article 1 defines Micro Enterprises as productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this law. Small Enterprises are defined as productive economic businesses that operate independently, conducted by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or directly or indirectly part of Medium or Large Enterprises that meet the criteria for Small Enterprises. Medium Enterprises are defined as productive economic businesses that operate independently, conducted by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or directly or indirectly part of Small or Large Enterprises, with net worth or annual sales as regulated in this law.

Afterwards, performance is the level of achievement of work results accomplished by individuals, groups, or organizations in carrying out their tasks and responsibilities according to established standards. According to Armstrong and Baron (2005), "Performance is defined as the outcome of work that has a strong connection with the organization's strategic goals, customer satisfaction, and economic contribution." Additionally, Bernardin and Russell (1993) emphasize that "performance includes not only the final results but also the process to achieve those results." Performance evaluation involves assessing the quality, quantity, efficiency, and effectiveness of the work performed, helping organizations identify areas for improvement and ensuring that strategic objectives are optimally achieved. Innovation is a key factor in enhancing marketing performance. It involves a company's ability to think outside the box and create new solutions that can differentiate them from competitors," as stated by Dr. Philip Kotler, a renowned marketing expert. In the marketing context, innovation not only involves the development of new products or services but also encompasses the use of creative and revolutionary marketing strategies to capture market attention and achieve competitive advantage. By continually driving innovation in marketing strategies, companies can expand their market share and enhance overall performance.

According to Marrus (2002), strategy is defined as a process of determining plans by top leaders that focus on the organization's long-term goals, accompanied by devising ways or efforts to achieve those goals. In contrast, Jauch and Glueck, as cited in Amirullah (2015), define strategy as a unified, comprehensive, and integrated plan that links the company's strategic advantages with environmental challenges, designed to ensure that the company's primary objectives can be achieved through proper implementation. Strategy is understood not only as various ways to achieve goals but also includes the determination of the goals themselves. Social capital is a social resource viewed as an investment to obtain new resources. Resources, in general, are entities that can be consumed, stored, and invested. When resources are used for investment, they are termed as capital. The dimensions of social capital are extensive and complex, focusing on the potential of groups and the patterns of relationships among individuals within a group, between groups, and with the broader social space. This involves attention to social networks, norms, values, and mutual trust that arise from group members and become the group's norms. Consequently, social capital can be a key component in fostering togetherness, idea mobility, trust, and mutual benefit to achieve collective progress. For communities, groups, organizations, or institutions to socialize effectively, relationships that become a strength when interacting with relevant parties are needed, constituting social capital (Hasbullah, 2006).

The Influence of Marketing Strategy on Performance

Sudratono (2020) analyzed the impact of marketing mix strategies on the development of SMEs in the Bandung Regency Cooperative Office, finding a strong correlation coefficient of 0.756 from 51 respondents, indicating a 57.2% influence on SME development, with the remaining 42.8% influenced by other factors. The study concluded that SME members had implemented marketing strategies effectively, though challenges in product quality and market access due to cheaper foreign competition and limited market access were noted. Recommendations included improving product quality and expanding distribution channels. Mustaan (2021) highlighted the significant contribution of market selection, product planning, pricing, distribution systems, promotion, and Blue Ocean Strategy to sales volume at Master Gift Box, with these variables accounting for 93.6% of the sales volume impact. Nasruddin (2021) found that marketing strategies significantly influenced consumer purchasing decisions for Toyota cars at PT. Hadji Kalla Branch Palopo, with distribution systems being particularly crucial. This study aligned with previous research on the marketing strategy impact on purchasing decisions for Yamaha motorcycles and Honda Jazz cars, reinforcing the importance of marketing strategies across different products.

The Influence of Social Capital on Performance

Herdiyanti et al. (2017) state that the dimensions of social capital and its application indicators by the community in managing natural potential become the main strategy for survival. Their research on the Dusun Limang community utilizes social capital as an asset to build local economic structures and improve

the collective economy. The concept of social capital includes several key elements, such as the value of trust among community members, solidarity, cooperation, and empathy. The Dusun Limang community leverages this social capital by building strong relationships through social bonding and solidarity. They help each other in facing economic difficulties and collaborate in managing harvests and utilizing natural potential. Empathy also plays a crucial role in social capital in Dusun Limang. The sense of caring for one another encourages them to work together in efforts to improve their collective economic condition and create a more prosperous life. Overall, this research highlights how the Dusun Limang community applies the concept of social capital in managing natural potential as a strategy for survival and improving their economic well-being. Social capital enables this community to build a strong local economic structure based on trust, solidarity, cooperation, and empathy. These findings underscore the importance of social capital in supporting rural communities in overcoming economic and social challenges.

Performance Mediates the Influence between Marketing Strategy and Innovation

The research by Ningrum & Latifah (2022) explains the batik products and introduces them to the public with the aim of preserving the batik culture in Indonesia. However, the Covid-19 pandemic has had a negative impact on the health and economy of Indonesia, resulting in the weakening of the rupiah. One of the most affected sectors is the Micro, Small, and Medium Enterprises (MSMEs), which play a crucial role in supporting the Indonesian economy and reducing unemployment rates. Essentially, this research focuses on the implementation of the marketing mix in the marketing strategy of MSMEs in the Batik Bintanglima Kedungcangkring industry during the Covid-19 pandemic. This marketing strategy involves aspects of product, price, place, and promotion, all aimed at satisfying consumers. Innovation in marketing strategy and the marketing mix is key to ensuring business performance remains strong, especially in facing the challenges posed by the pandemic (Oscardo et al., 2021). By implementing effective and innovative marketing strategies, MSMEs in the batik industry can overcome the negative impacts of the pandemic and continue to contribute to the Indonesian economy while preserving the valuable batik culture.

Performance Mediates the Influence of Social Capital on Innovation

Performance mediates social capital on innovation, and several aspects need to be considered. First, social capital acts as a connector between individuals and groups within an organization or community. Strong connections and mutual trust facilitate the exchange of information, ideas, and knowledge necessary for innovation (Oscardo et al., 2021). Second, social capital mediates access to relevant resources and information. Through strong social networks, individuals can access financial capital, technology, and human skills essential for generating and implementing innovation. Third, social capital provides support and legitimacy for innovative ideas. Social support increases individuals' confidence in facing risks and challenges in the innovation process, while social

legitimacy helps overcome resistance to change. Lastly, social capital influences the decision-making process related to innovation. Strong social networks broaden individuals' perspectives and knowledge, enabling more informative and accurate decision-making. By understanding the role and mechanisms of social capital, organizations can develop more effective strategies to enhance their innovative capacity and achieve competitive advantage.

METHODOLOGY

This study aims to identify relevant variables in the context of batik MSMEs in Sidoarjo. These variables are divided into dependent variables (Y), namely performance, independent variables (X) namely marketing strategy environment (X1) and social capital (X2), and innovation acting as a median variable (Z). Marketing strategy environment variables (X1) and social capital (X2) have clearly defined indicators, such as market analysis, product strategy, price, distribution, consumer awareness for X1, and participation, trust, and collaboration for X2. Meanwhile, innovation (Y) is measured by the ability of MSMEs to find creative solutions, utilize technology, and create new products.

The measurement scale of variables uses an ordinal scale with a Likert scale of 1 to 5 points, with predefined answer categories. The research sample is taken from a population of 60 batik MSMEs in Sidoarjo, using a saturated sampling method due to the relatively small population size. Data is collected through questionnaires providing primary data, while secondary data is obtained from history, literature, company profiles, and related literature studies. Data analysis technique uses Partial Least Squares (PLS) as an analysis method that allows modeling relationships between latent variables with data that has a non-normal distribution and a relatively small sample size. The results of data analysis include evaluating the validity and reliability of indicators, testing structural models, and hypothesis testing using T-Statistic values. The structural model focuses on relationships between latent variables and is used to test hypotheses formulated in the study.

RESEARCH RESULT AND DISCUSSION

Sidoarjo is home to villages engaged in batik production. One of these villages is located in Jetis, a sub-district of Sidoarjo, often identified as Kampoeng Batik Jetis. The presence of Kampoeng Batik Jetis has been established since 1675 and remains a living and evolving entity. The village of Jetis, in the Sidoarjo Regency, plays a significant role in the chronological history of batik development in the Sidoarjo region. However, in contemporary times, the production of hand-drawn batik in Kampoeng Batik Jetis has begun to decline. Only a few production houses remain to maintain the tradition of producing hand-drawn batik. Therefore, it is important for us to participate in efforts to preserve hand-drawn batik, to ensure its continued existence amidst stiff competition in the batik business world, and to provide significant economic contributions. Batik MSMEs in Sidoarjo require raw material costs consisting of fabric, wax, dyes, and screens, used in the production of hand-drawn batik and printed batik. The process of hand-drawn batik involves collaboration with batik artisans in the Kenongo Village, including stages such as designing patterns,

waxing, dyeing, wax removal, and finishing. Meanwhile, printed batik involves printing techniques using screen printing, with a more efficient process involving color mixing, color grounding, drying, motif scratching, heating, color locking, color removal, rinsing, drying, and cutting and folding stages. Although more efficient, printed batik does not match the quality of hand-drawn batik, which requires high-level skills and holds high cultural value. Direct material costs vary depending on factors such as quantity, quality, supplier location, and market fluctuations, managed through efforts to increase production efficiency and negotiate with suppliers.

In this study, the primary respondents are owners, managers, and leaders of Micro, Small, and Medium Enterprises (MSMEs) engaged in the batik industry in the Sidoarjo area. This group was selected as respondents because they have deep knowledge and experience in the batik industry and the impacts faced during the pandemic. Furthermore, it is important to note that the entire population of batik MSMEs in Sidoarjo, totaling 60 MSMEs, was sampled in this study.

Table 1: Characteristics of Respondents Based on Position in the Company

No.	Position in the Company	Number	Percentage
1.	Pemilik	20	40%
2.	Karyawan	40	60%
TOTAL		60	100%

Source: Processed Data, 2023

At the heart of the company's essence lies its organizational structure, a tapestry woven from the threads of roles and responsibilities that define each individual's place within its confines. Within this intricate framework, two distinct cohorts emerge: the Owners and the Employees, collectively constituting a symphony of 60 souls. The Owners, a cadre of 20 stalwarts, embody the essence of leadership and stewardship, their hands guiding the vessel of enterprise towards its destined shores. They bear the weight of decision-making, their wisdom shaping the company's trajectory and destiny. This distribution, wherein the Owners comprise 40% and the Employees 60% of the company's fabric, mirrors the nuanced interplay of hierarchy and harmony. It is a testament to the delicate balance of power and responsibility, each thread contributing to the tapestry of collective success and sustainability.

Table 2: Outer Loadings (Mean, STDEV, T-Values, and P-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1.1 <- Marketing Strategy	0,921	0,902	0,081	11,298	0,000
X1.2 <- Marketing Strategy	0,857	0,839	0,086	10,008	0,000

X1.3 <- Marketing Strategy	-0,090	-0,098	0,250	0,361	0,718
X1.4 <- Marketing Strategy	-0,012	-0,010	0,240	0,050	0,960
X1.5 <- Marketing Strategy	-0,260	-0,245	0,163	1,598	0,111
X2.1 <-Social Capital	0,849	0,854	0,031	27,695	0,000
X2.2 <- Social Capital	0,775	0,764	0,081	9,622	0,000
X2.3 <- Social Capital	0,367	0,347	0,179	2,046	0,041
X2.4 <- Social Capital	0,392	0,404	0,159	2,464	0,014
X2.5 <- Social Capital	0,904	0,901	0,026	34,275	0,000
Z1 <- Performance	0,885	0,884	0,060	29,710	0,000
Z2 <- Performance	0,877	0,878	0,032	27,722	0,000
Z3 <- Performance	0,588	0,579	0,116	5,051	0,000
Z4 <- Performance	0,761	0,754	0,068	11,251	0,000
Y1 <- Innovation	0,686	0,682	0,078	8,771	0,000
Y2 <- Innovation	0,867	0,868	0,032	27,013	0,000
Y3 <-Innovation	0,714	0,712	0,091	7,814	0,000
Y4 <- Innovation	0,377	0,360	0,183	2,063	0,040

Source: Processed Data, 2023

Within the ethereal confines of data processing, the table above serves as a testament to the quest for validity, where the outer loading data unveils the essence of each indicator. Herein lies the delicate dance of measurement, where the validity of indicators is gauged by the magnitude of their factor loading values. A threshold of 0.5-0.6 beckons as the harbinger of sufficiency, while the T-Statistic, standing tall at a value greater than 1.96, heralds the dawn of significance. In the realm of Partial Least Squares (PLS), the tapestry of Latent Variable Correlations unfurls, revealing the intricate interplay of variables and constructs. Here, amidst the tableau of exogenous and endogenous variables, correlations weave a narrative of connection and coherence. With a maximum value of 1 as the beacon of perfection, each correlation strives to inch closer to this zenith, embodying the essence of harmonious alignment and mutual resonance.

Table 3 Latent Variable Correlation Source: Data processed, 2023

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Performance - > Innovation	0,848	0,853	0,035	24,336	0,000
Social Capital - > Innovation	0,658	0,676	0,102	6,440	0,000
Social Capital - > Performance	0,558	0,577	0,091	6,118	0,000
Marketing Strategy -> Innovation	0,250	0,238	0,120	2,083	0,038
Marketing Strategy -> Performance	0,212	0,204	0,104	2,041	0,042

Table 4.15 shows Hidden Variable Correlations. In this analysis, the relationships between hidden variables are measured using correlation. The data processing results indicate a strong positive correlation between Innovation and Performance, with a correlation value of 0.848. This means that an increase in innovation has a significant positive correlation with an increase in performance. Furthermore, there is a correlation between Social Capital and Innovation, with a value of 0.658. This indicates a positive relationship between Social Capital and the level of innovation. Additionally, there is a correlation between Social Capital and Performance of 0.558, showing that Social Capital also has a positive impact on performance. Marketing Strategy has a lower correlation, namely 0.250 with Innovation and 0.212 with Performance, but still demonstrates a positive relationship. All p-value values in the table indicate statistical significance, confirming the significance of the observed relationships between these variables.

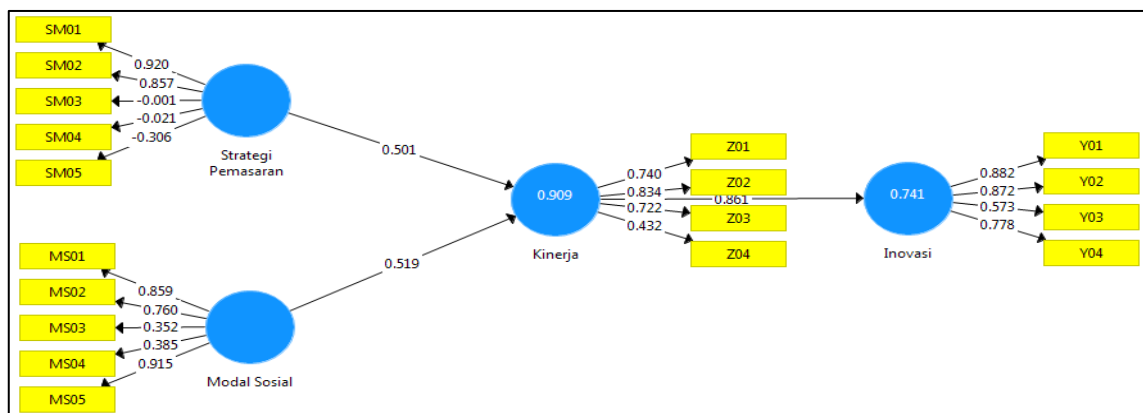


Figure 3. Outer Loading, Path Coefficient, dan T Statistic 1
 Source: Data processed, 2023

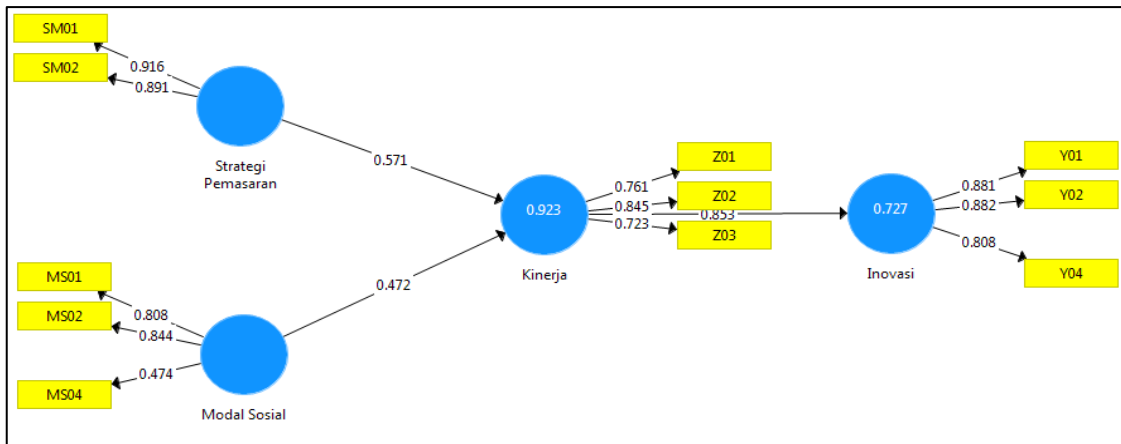


Figure 4 Outer Loading, Path Coefficient, and T Statistic 2

Source: Data processed, 2023

Gazing upon the ethereal canvas of the PLS output diagram, one is entranced by the magnitude of the factor loading, gracefully poised above the arc of connection between variables and indicators. Here, amidst the interplay of data and destiny, each indicator bears the weight of significance, its essence captured in the dance of path coefficients and the resolute gaze of the T Statistic ($|O/STDEV|$) that adorns the arc of illumination between independent and dependent variables.

Tabel 5 Path Coefficients (Mean, STDEV, T-Values dan P Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ($ O/STDEV $)	P Values
Marketing Strategy -> Performance	0,289	0,537	0,066	8,218	0,000
Social Capital -> Performance	0,628	0,504	0,079	6,182	0,000
Marketing Strategy and Social Capital -> Performance -> Innovation	0,854	0,852	0,035	24,114	0,000

Source: Data processed, 2023

In the intricate tapestry of structural model analysis, lies the crucible wherein hypotheses are tested, and truths are unearthed. Here, within the hallowed halls of research, we wield the SmartPLS™ 4 method as our beacon, navigating the labyrinth of data to unveil the mysteries of relationships between variables. Behold the tableau above, a testament to the culmination of our quest, where each hypothesis stands as a sentinel guarding the gates of knowledge. Through meticulous sampling and rigorous calculation, we unveil the essence of each relationship, as captured in the mean, standard deviation, T-Statistic value, and the reverent P-value of significance. In the sanctum of Table 4, the path analysis reveals the interplay of forces - marketing strategy, social capital, innovation, and performance. Firstly, the resplendent aura of marketing strategy (X1) shines forth, casting its luminous gaze upon performance (Z) with a path

coefficient of 0.546. Its significance is affirmed by the lofty T-Statistic value of 8.218 and the humble P-Value of 0.000, heralding a realm where effective marketing strategy begets innovation. Similarly, the ethereal tendrils of social capital (X2) weave their enchanting dance, bestowing upon performance (Z) a gift of transformation. With a path coefficient of 0.491, a T-Statistic value of 6.182, and a P-Value of 0.000, the bond between social capital and innovation is forged, illuminating a path where organizational cohesion births innovation.

Lastly, performance (Z), the harbinger of destiny, emerges as a beacon of hope. With a path coefficient of 0.852, a formidable T-Statistic value of 24.114, and a P-Value of 0.000, it stands as a testament to the symbiotic dance between innovation and organizational prowess. Here, in this sacred union, innovation flourishes, and performance ascends to unparalleled heights, a testament to the enduring legacy of organizations fueled by innovation.

Table 6. Indirect Effects of Marketing Strategy on Innovation

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Marketing Strategy -> Performance -> Innovation	0,465	0,465	0,060	7,783	0,000

The echoes of this study resonate with the findings unearthed in a previous exploration undertaken by Ramadhan and Sukarno in 2021. In a symphony of hypothesis testing, the alignment of results reveals a profound truth: social capital stands as a potent catalyst, shaping the contours of business performance. Within the labyrinth of the SME sector, exemplified by the vibrant tapestry of Kampoeng Sepatu, the tendrils of social capital weave a narrative of transformation. Thus, as we gaze upon the horizon illuminated by the findings of this study, we bear witness to the immutable truth: in the realm of SMEs, the richness of social capital serves as a beacon, guiding enterprises towards the shores of prosperity and enduring success.

Table 7: Indirect Effects of Social Capital on Innovation through Performance

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Social Capital -> Performance -> Innovation	0,418	0,417	0,068	6,118	0,000

Within the tableau lies a revelation of profound significance: the analysis of the total indirect effect, wherein the independent variable "Social Capital" breathes life into the realm of "Innovation" through the intermediary embrace of "Performance". Behold, the path coefficient, a beacon of enlightenment, stands resolute at 0.418 for both the original sample and the sample mean, casting a luminous glow upon the path traversed by "Social Capital" towards "Innovation" through the hallowed corridors of "Performance". In its wake, it illuminates the

essence of change, revealing how each unit of transformation in "Social Capital" unfurls a symphony of innovation through the vehicle of performance. This study illustrates that batik MSMEs in Sidoarjo not only rely on their social capital but also on their performance in developing innovation. It was found that the social capital possessed by MSMEs, such as social networks and community cooperation, has a direct impact on their innovative ability. However, what is interesting is the important role of performance in conveying the influence of social capital into innovation realization. The performance of MSMEs, in this context, includes operational efficiency, managerial ability, and social responsibility. These findings highlight that MSMEs that can manage their social capital well and achieve optimal performance are more likely to generate significant innovations. In other words, the performance of MSMEs serves as a link between the social capital they possess and their ability to create innovation.

CONCLUSIONS AND RECOMMENDATIONS

The results of hypothesis testing indicate:

1. **Marketing Strategy:** The analysis indicates that marketing strategy has a significant influence on the performance of batik MSMEs. This suggests that batik MSMEs that can respond to market changes accurately, develop products in line with trends and consumer needs, and set appropriate prices, have a better chance of surviving in challenging conditions.
2. **Social Capital:** Social capital also proves to have a significant influence on the performance of batik MSMEs. In this regard, active participation in the business community and support from the local community play a crucial role in providing resources, support, and trust that support business sustainability. Social capital creates strong networks among MSME players and forms emotional bonds with consumers, which in turn increases purchasing interest and loyalty.
3. **Marketing Strategy's Influence on Innovation through Performance:** Marketing strategy has a significant influence on innovation through the performance of batik MSMEs in Sidoarjo. Path analysis shows that marketing strategy has a direct positive impact on performance, which in turn affects the level of innovation.
4. **Social Capital's Influence on Innovation through Performance:** Social capital also has a significant influence on innovation through the performance of batik MSMEs in Sidoarjo. Path analysis results show that social capital contributes positively to performance, which then affects the level of innovation. These findings confirm a statistically significant relationship.

ADVANCED RESEARCH

In writing this article the researcher realizes that there are still many shortcomings in terms of language, writing, and form of presentation considering the limited knowledge and abilities of the researchers themselves. Therefore, for the perfection of the article, the researcher expects constructive criticism and suggestions from various parties.

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